

Celltrion, Inc. and its subsidiaries

Interim consolidated financial statements
for the periods ended June 30, 2015 and 2014
with independent auditors' report



Table of contents

	Page
Report on review of interim consolidated financial statements	1
Financial statements	3
Interim consolidated statement of financial position	4
Interim consolidated statement of income	5
Interim consolidated statement of other comprehensive income	6
Interim consolidated statement of changes in equity	7
Interim consolidated statement of cash flows	9
Notes to the interim condensed consolidated financial statements	10

Report on review of interim consolidated financial statements

To the Board of Directors and Stockholders
Celltrion, Inc.

We have reviewed the accompanying interim consolidated financial statements of Celltrion, Inc. (the Company) and its subsidiaries (collectively referred to as the Group) which comprises the interim consolidated statements of financial position as at June 30, 2015, and the related interim consolidated statement of income and interim consolidated statement of other comprehensive income for the three-month and six-month period ended June 30, 2015 and interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with the *Korea International Financial Reporting Standards 1034 Interim Financial Reporting (KIFRS 1034)*. Also, management is responsible for the design and operation of the Group's internal control to prevent and detect any error or fraud which may cause material misstatement of the interim consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. We conducted our review in accordance with the review standard for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements were not prepared, in all material respects, in accordance with *KIFRS 1034*.

Other Matters

The interim consolidated statements of income and interim consolidated comprehensive income for the three-month and six-month periods ended June 30, 2014 and the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six-month periods then ended, prepared in accordance with K-IRFS 1034 and, presented for comparative purpose, have been reviewed by PWC Samil whose review report dated August 14, 2014 expressed an unqualified review opinion.

Moreover, the consolidated statement of financial position as at December 31, 2014, and the related consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended were audited by PWC Samil, in accordance with auditing standards generally accepted in the Republic of Korea (not presented here in), whose report dated March 12, 2015 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2014, presented for comparative purpose are not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

August 12, 2015

This review report is effective as at August 12, 2015, the auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim consolidated financial statements and may result in modification to this review report.

Celltrion, Inc. and its subsidiaries

Interim consolidated financial statements for the periods ended June 30, 2015 and 2014

The accompanying interim consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.

Kee, Woo Sung,
Kim, Hyoung Ki
Chief Executive Officer
Celltrion, Inc.

Celltrion, Inc. and its subsidiaries

Interim consolidated statements of financial position

as at June 30, 2015 and December 31, 2014

(Korean won in millions)

	Notes	June 30, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents	4	₩ 171,163	₩ 108,752
Short-term financial assets	4 and 5	5,070	9,746
Trade receivables	4 and 6	501,831	378,290
Other receivables	4	33,019	40,313
Inventories		250,492	223,617
Income tax refundable	17	10,991	24
Other current assets		28,646	32,294
Total current assets		<u>1,001,212</u>	<u>793,036</u>
Non-current assets			
Long-term financial assets	4 and 5	₩ 11,749	₩ 7,735
Long-term other receivables	4	11,856	12,930
Investments in associates	7	7,755	3,484
Property, plant and equipment	8	904,886	898,229
Intangible assets	9	637,352	601,558
Deferred tax asset		3,948	3,784
Other non-current assets		1,857	1,629
Total non-current assets		<u>1,579,403</u>	<u>1,529,349</u>
Total assets		<u>2,580,615</u>	<u>2,322,385</u>
Liabilities			
Current liabilities			
Short-term financial liabilities	4, 8 and 10	₩ 532,150	₩ 404,084
Trade payables	4	12,176	4,390
Other payables	4	62,064	75,955
Income tax payable		28,132	5,827
Other current liabilities		880	3,681
Total current liabilities		<u>635,402</u>	<u>493,937</u>
Non-current liabilities			
Long-term financial liabilities	4, 8 and 10	₩ 310,013	₩ 479,294
Long-term other payables	4	794	675
Other provisions		697	698
Total non-current liabilities		<u>311,504</u>	<u>480,667</u>
Total liabilities		<u>946,906</u>	<u>974,604</u>
Equity			
Equity attributable to owners of the parent			
Issued capital	11	₩ 111,810	₩ 103,570
Share premium	11	600,047	374,602
Retained earnings		883,221	845,040
Accumulated other comprehensive income		6,539	3,435
Other components of equity	11	(71,528)	(79,253)
Non-controlling interest	19	<u>103,620</u>	<u>100,387</u>
Total equity		<u>1,633,709</u>	<u>1,347,781</u>
Total liabilities and equity		<u>₩ 2,580,615</u>	<u>₩ 2,322,385</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Celltrion, Inc. and its subsidiaries

Interim consolidated statements of income

for the three month periods and the six month periods ended June 30, 2015 and 2014

(Korean won in millions, except per share amounts)

	Notes	2015		2014	
		Three month	Six month	Three month	Six month
Revenue		₩ 168,053	₩ 265,681	₩ 179,168	₩ 266,045
Cost of sales	14	<u>(57,475)</u>	<u>(92,140)</u>	<u>(38,256)</u>	<u>(68,703)</u>
Gross profit		110,578	173,541	140,912	197,342
Selling and administrative expenses	14	<u>(29,473)</u>	<u>(51,525)</u>	<u>(42,962)</u>	<u>(63,740)</u>
Operating profit		81,105	122,016	97,950	133,602
Other income		852	2,630	2,807	4,980
Other expenses	10	(17,047)	(71,342)	(3,311)	(17,142)
Finance income		3,830	6,715	14,775	14,420
Finance costs		(7,453)	(18,422)	(8,297)	(17,478)
Share of gain (loss) to associates		<u>20</u>	<u>(319)</u>	<u>(3)</u>	<u>(187)</u>
Profit before income tax		61,307	41,278	103,921	118,195
Income tax benefit (expense)	13	<u>(3,129)</u>	<u>2,921</u>	<u>(29,653)</u>	<u>(29,075)</u>
Profit for the period		<u>₩ 58,178</u>	<u>₩ 44,199</u>	<u>₩ 74,268</u>	<u>₩ 89,120</u>
Attributable to:					
Equity attributable to owners of the parent		57,887	43,286	71,826	85,818
Non-controlling interest		291	913	2,442	3,302
Earnings per share	15				
Basic earnings per share		531	400	676	808
Diluted earnings per share		528	399	611	807

The accompanying notes are an integral part of the interim consolidated financial statements.

Celltrion, Inc. and its subsidiaries

Interim consolidated statements of comprehensive income

for the three month periods and the six month periods ended June 30, 2015 and 2014

(Korean won in millions)

	2015		2014					
	Notes	Three month	Six month	Three month	Six month			
Profit for the period	₩	58,178	₩	44,199	₩	74,268	₩	89,120
Other comprehensive income		1,881		3,116		310		642
Other comprehensive income to be reclassified to profit or loss in subsequent periods:								
Gain (loss) on valuation of available-for-sale financial assets		2,944		4,298		(202)		151
Share of other comprehensive income (loss) of associates		-		-		-		31
Exchange differences on translations of foreign operations		(351)		(143)		464		504
Income tax effect relating to components of other comprehensive income		(712)		(1,039)		48		(44)
Total comprehensive income for the period, net of tax	₩	60,059	₩	47,315	₩	74,578	₩	89,762
Equity holders of the parent		59,756		46,389		72,146		86,467
Non-controlling interests		303		926		2,432		3,295

The accompanying notes are an integral part of the interim consolidated financial statements.

Celltrion, Inc. and its subsidiaries

**Interim consolidated statements of changes in equity
for the six month periods ended June 30, 2015 and 2014**

(Korean won in millions)

	Notes	Issued capital	Share premium	Retained earnings	Accumulated other comprehensive income	Other components of equity	Non-controlling interest	Total
As at January 1, 2014		₩ 100,504	₩ 370,966	₩ 735,306	₩ 94	₩ (119,738)	₩ -	₩ 1,087,132
Comprehensive income								
Profit for the period		-	-	85,818	-	-	3,302	89,120
Gain on valuation of available-for-sale financial assets		-	-	-	114	-	-	114
Share of other comprehensive income of associates		-	-	-	24	-	-	24
Currency translation differences		-	-	-	511	-	(7)	504
Total comprehensive income		-	-	85,818	649	-	3,295	89,762
Transactions with equity holders of the Company :								
Stock dividends	12	2,942	-	(2,942)	-	-	-	-
Exercise and forfeiture of stock options	11	70	2,183	-	-	(785)	-	1,468
Recognition of stock options	11	-	-	-	-	2,179	36	2,215
Acquisition of treasury stock	11	-	-	-	-	(1,244)	-	(1,244)
Recognition of consideration for conversion rights		-	-	-	-	-	747	747
Changes in consolidation scope		-	-	-	-	-	97,223	97,223
Total transactions with equity holders of the Company		3,012	2,183	(2,942)	-	150	98,006	100,409
As at June 30, 2014		₩ 103,516	₩ 373,149	₩ 818,182	₩ 743	₩ (119,588)	₩ 101,301	₩ 1,277,303

(Continued)

The accompanying notes are an integral part of the interim consolidated financial statements.

Celltrion, Inc. and its subsidiaries

Interim consolidated statements of changes in equity (cont'd)
for the six month periods ended June 30, 2015 and 2014

(Korean won in millions)

	Notes	Issued capital	Share premium	Retained earnings	Accumulated other comprehensive income	Other components of equity	Non-controlling interest	Total
As at January 1, 2015		₩ 103,570	₩ 374,602	₩ 845,040	₩ 3,435	₩ (79,253)	₩ 100,387	₩ 1,347,781
Comprehensive income								
Profit for the period		-	-	43,286	-	-	913	44,199
Currency translation differences		-	-	-	(155)	-	12	(143)
Gain on valuation of available-for-sale financial assets		-	-	-	3,259	-	-	3,259
Total comprehensive income		-	-	43,286	3,104	-	925	47,315
Transactions with equity holders of the Company :								
Stock dividends	12	5,105	-	(5,105)	-	-	-	-
Exercise and forfeiture of stock options	11	193	8,731	-	-	(2,444)	2,254	8,734
Recognition of stock options	11	-	-	-	-	2,404	41	2,445
Acquisition of treasury stock	11	-	-	-	-	(1,532)	(38)	(1,570)
Recognition of consideration for conversion rights		-	-	-	-	-	874	874
Exercise of convertible rights	11	2,942	216,714	-	-	-	-	219,656
Issuance of exchangeable bonds	11	-	-	-	-	8,474	-	8,474
Change in equity in investments in subsidiaries		-	-	-	-	823	(823)	-
Total transactions with equity holders of the Company		8,240	225,445	(5,105)	-	7,725	2,308	238,613
As at June 30, 2015		₩ 111,810	₩ 600,047	₩ 883,221	₩ 6,539	₩ (71,528)	₩ 103,620	₩ 1,633,709

The accompanying notes are an integral part of the interim consolidated financial statements.

Celltrion, Inc. and its subsidiaries
Interim consolidated statements of cash flows
for the six month periods ended June 30, 2015 and 2014

(Korean won in millions)

	Notes	2015	2014
Operating activities			
Cash generated from operations	16 ₩	14,469	₩ 17,982
Income tax paid		(6,002)	(21,319)
Net cash flows from (used in) operating activities		8,467	(3,337)
Investing activities			
Cash inflow from investing activities			
Interest received		560	1,057
Dividend received		-	20
Decrease in short-term financial assets		9,725	11,859
Decrease in other receivables		38,776	4,954
Decrease in long-term financial assets		350	641
Decrease in long-term other receivables		798	1,259
Acquisition of other grants		899	-
Proceeds from disposal of property, plant and equipment		12	1
Proceeds from disposal of intangible assets		235	-
Cash inflow from business combination		-	11,619
Cash outflow from investing activities			
Increase in current financial assets		(4,891)	(1,095)
Increase in other receivables		(30,000)	(3,674)
Increase in long-term other receivables		(1,191)	(1,274)
Acquisition of investments in associates		(4,590)	-
Acquisition of property, plant and equipment		(24,206)	(15,323)
Acquisition of intangible assets		(56,249)	(48,994)
Net cash flows used in investing activities		(69,772)	(38,950)
Financing activities			
Cash inflow from financing activities			
Increase in short-term financial liabilities		78,115	52,518
Increase in long-term financial liabilities		217,000	30,000
Issuance of ordinary shares		8,740	1,471
Cash outflow from financing activities			
Interest paid		(17,488)	(18,298)
Dividend paid		(1)	-
Decrease in short-term financial liabilities		(104,818)	(48,768)
Decrease in long-term financial liabilities		(55,714)	(14,436)
Issuance costs of long-term financial liabilities		(556)	-
Stock issuance costs		(7)	(4)
Acquisition of treasury stock		(1,571)	(1,243)
Net cash flows from financing activities		123,700	1,240
Net increase (decrease) in cash and cash equivalents		62,395	(41,047)
Net foreign exchange difference		16	(24)
Cash and cash equivalents at January 1		108,752	80,754
Cash and cash equivalents at June 30	₩	171,163	₩ 39,683

The accompanying notes are an integral part of the interim consolidated financial statements.

Celltrion, Inc. and its subsidiaries

Notes to the Interim consolidated financial statements

June 30, 2015 and 2014, and December 31, 2014

1. General information

General information about Celltrion, Inc. (“the Company”) and its subsidiaries (collectively referred to as “the Group”) is as follows:

The Company was incorporated on February 27, 1991, and listed its ordinary share on the Korea Stock Exchange (KOSDAQ) on July 19, 2005. The Company changed its name on August 19, 2008, from ORCHEM Co., Ltd. to Celltrion, Inc. after the merger with Celltrion, Inc., which was established on February 26, 2002.

The primary business objective of the Company is to develop and produce various therapeutic proteins including oncology treatment drugs by bioengineering mammalian cell-culture technology. The Company’s head office is located in the Incheon Free Economic Zone.

The Company’s shareholders as at June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015		December 31, 2014	
	Number of shares	Equity interest	Number of shares	Equity interest
Celltrion Holdings Co., Ltd.	21,825,630	19.52%	20,786,315	20.07%
Celltrion GSC Co., Ltd.	2,421,392	2.17%	2,306,088	2.23%
Ion Investment B.V.	16,188,297	14.48%	15,417,426	14.89%
Others	69,888,510	62.50%	63,595,842	61.40%
Treasury stock	1,486,635	1.33%	1,464,100	1.41%
	<u>111,810,464</u>	<u>100.00%</u>	<u>103,569,771</u>	<u>100.00%</u>

1.1 Consolidated subsidiaries

Consolidated subsidiaries as at June 30, 2015 and December 31, 2014 are as follows:

Subsidiary	Equity interest		Location	Reporting month	Primary business activity
	June 30, 2015	December 31, 2014			
Celltrion Pharm, Inc. (*1)	47.75%	48.19%	Korea	December	Manufacturing and sales of medicine
Celltrion Chemical Research Institute (*2)	47.75%	48.19%	Korea	December	Research and Development of new medicine and pharma raw material
Celltrion Pharma USA, Inc. (*2)	47.75%	48.19%	USA	December	Marketing in the U.S and structuring sales network
Celltrion Don LLC	100.00%	100.00%	Russia	December	Agriculture in Russia
Celltrion Eurasia LLC	100.00%	100.00%	Russia	December	Agriculture in Russia
Celltrion Europe Limited	100.00%	100.00%	United Kingdom	December	Bio-similar clinical trial

(*1) Although the Company owns less than 50% of voting rights, Celltrion Pharm, Inc. is classified as a subsidiary by considering potential voting rights of stock warrants held by the Company.

(*2) Celltrion Pharm, Inc., a subsidiary of the Company, wholly owns these entities.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

1. General information (cont'd)

1.2 Financial information of subsidiaries (before elimination of intercompany transactions)

The summarized statements of financial position of subsidiaries as at March 31, 2015 and December 31, 2014, and the related condensed statements of comprehensive income of subsidiaries for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

Subsidiary	June 30, 2015					
	Assets		Liabilities		Equity	
Celltrion Pharm, Inc.	₩	446,914,296	₩	226,565,439	₩	220,348,857
Celltrion Chemical Research Institute		4,528,388		413,029		4,115,359
Celltrion Pharma USA, Inc.		235,697		-		235,697
Celltrion Don LLC		5,712,451		13,244,641		(7,532,190)
Celltrion Eurasia LLC		393		-		393
Celltrion Europe Limited		2		-		2

Subsidiary	June 30, 2015					
	Three-month period ended			Six-month period ended		
	Revenue	Profit (loss)	Comprehensive income (loss)	Revenue	Profit (loss)	Comprehensive income (loss)
Celltrion Pharm, Inc.	₩ 18,915,985	₩ 262,486	₩ 262,486	₩ 34,602,482	₩ 1,442,224	₩ 1,442,224
Celltrion Chemical Research Institute	1,469,240	3,343	3,343	1,861,240	(1,807)	(1,807)
Celltrion Pharma USA, Inc.	-	(18,455)	4,004	-	(45,336)	(21,635)
Celltrion Don LLC	188,897	217,431	(190,100)	387,558	(361,482)	(527,643)
Celltrion Eurasia LLC	-	-	-	-	-	-
Celltrion Europe Limited	-	-	-	-	-	-

Subsidiary	December 31, 2014					
	Assets		Liabilities		Equity	
Celltrion Pharm, Inc.	₩	412,667,481	₩	198,848,533	₩	213,818,948
Celltrion Chemical Research Institute		5,006,598		889,432		4,117,166
Celltrion Pharma USA, Inc.		257,332		-		257,332
Celltrion Don LLC		4,687,019		11,657,468		(6,970,449)
Celltrion Eurasia LLC		393		-		393
Celltrion Europe Limited		2		-		2

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

1. General information (cont'd)

1.2 Financial information of subsidiaries (before elimination of intercompany transactions) (cont'd)

Subsidiary	June 30, 2014					
	Three-month period ended			Six-month period ended		
	Revenue	Profit (loss)	Comprehensive income (loss)	Revenue	Profit (loss)	Comprehensive income (loss)
Celltrion Pharm, Inc.	₩ 17,588,485	₩ 2,508,187	₩ 2,508,187	₩ 29,131,354	₩ 2,972,231	₩ 2,972,231
Celltrion Chemical Research Institute	2,190,160	314,596	314,596	4,211,920	492,464	492,464
Celltrion Pharma USA, Inc.	-	(13,341)	(28,122)	-	(21,777)	(32,706)
Celltrion Don LLC	97,159	427,125	374,548	447,096	(926,893)	(700,534)
Celltrion Eurasia LLC	-	-	-	-	-	-
Celltrion Europe Limited	-	-	-	-	-	-

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim consolidated financial statements as at and for the six-month period ended June, 30, 2015, have been prepared in accordance with *the KIFRS 1034, Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with the KIFRS standards and interpretations issued and effective or issued and early adopted at June 30, 2015.

2.1.1 New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the reporting period beginning on January 1, 2015: and there is no material impact on its interim consolidated financial statements

- *Amendment to KIFRS 1019, Defined Benefit Plans: Employee Contributions*
- *Annual Improvements to KIFRS 2010-2012 Cycle*
- *Annual Improvements to KIFRS 2011-2013 Cycle*

2.1.2 New standards and interpretations not yet adopted

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2015 and not early adopted would not have a material impact on its interim consolidated financial statements.

2.2 Segment reporting

Management performs the allocation of resources and assessment of performance by each operating segment. The operating segment of the Group is recognized based on the method of organizing and generating income. As at June 30, 2015, the Group's segment consists of biopharmaceutical medicines segment, chemical medicines segment and others.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

2. Summary of significant accounting policies (cont'd)

2.2 Segment reporting (cont'd)

The business objective of biopharmaceutical medicines segment is to develop, manufacture and sell various therapeutic proteins including oncology treatment drugs by bioengineering mammalian cell-culture technology. The business objective of chemical medicines segment is to develop, manufacture and sell chemical medicines.

The Group is assessing the performance of each operating segment based on their operating profit, and there is no difference with the amounts reported on the interim consolidated statement of income, except for intergroup transactions. The following table summarizes the results of financial performance of the Group by operating segments for the six-month periods ended June 30, 2015 and 2014 (Korean won in thousands):

		June 30, 2015					
		Biopharmaceutical medicines	Chemical medicines	Others	Total	Adjustment of intergroup transactions	Amount after adjustment
Revenue	₩	230,691,196	₩ 34,602,482	₩ 2,248,799	₩ 267,542,477	₩ (1,861,241)	₩ 265,681,236
Depreciation		14,267,420	360,061	287,291	14,914,772	-	14,914,772
Amortization		23,989,235	814,744	7,255	24,811,234	-	24,811,234
Operating profit (loss)		119,461,798	2,931,638	(327,369)	122,066,067	(50,109)	122,015,958
Non-current assets (*1)		1,286,117,765	258,891,513	3,387,536	1,548,396,814	(6,158,937)	1,542,237,877

		June 30, 2014					
		Biopharmaceutical medicines	Chemical medicines	Others	Total	Adjustment of intergroup transactions	Amount after adjustment
Revenue	₩	236,467,336	₩ 29,131,354	₩ 4,659,016	₩ 270,257,706	₩ (4,212,474)	₩ 266,045,232
Depreciation		14,980,077	439,663	359,328	15,779,068	-	15,779,068
Amortization		20,470,920	816,724	6,622	21,294,266	-	21,294,266
Operating profit (loss)		131,460,468	2,194,880	78,779	133,734,127	(132,742)	133,601,385
Non-current assets (*1)		1,238,594,048	193,470,370	5,312,928	1,437,377,346	(445,289)	1,436,932,057

(*1) The amount is the sum of property, plant and equipment and intangible assets.

2.3 Accounting policy

Significant accounting policies and calculation methods applied to prepare the interim consolidated financial statements are the same as those applied to prepare the previous year end consolidated financial statements, except for the adjustments made due to changes caused by the application of the enacted amendment explained in Note 2.1.1 and described below.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

2. Summary of significant accounting policies (cont'd)

2.3 Accounting policy (cont'd)

2.3.1 Income tax

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

2.3.2 Compound financial instruments

Compound financial instruments, which were issued by the Group are exchangeable bonds and convertible bonds that can be exchanged and converted into equity instruments at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity exchange option. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

In accordance with the Interpretation Statements No.00094 issued by the Financial Supervisory Service in Korea, exchangeable rights and convertible rights are recognized as equity. This accounting treatment is applicable within the KIFRS in accordance with Item 1 under Paragraph 1 of Article 13 in the Act on External Audit of Stock Companies.

3. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant accounting estimates and assumptions adopted in the preparation of the interim condensed consolidated financial statements, except for the estimating method used in calculating income tax expenses, agree with those adopted in the preparation of the prior year consolidated financial statements.

4. Fair value

There is no significant change in the business and economic environments that affects the fair value of financial assets and liabilities of the Group during the current period.

4.1 Fair value of financial instruments by category

Carrying amount and fair value of financial instruments by category as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

4. Fair value (cont'd)

4.1 Fair value of financial instruments by category (cont'd)

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 171,163,374	₩ 171,163,374	₩ 108,752,400	₩ 108,752,400
Financial instruments at fair value through profit or loss	-	-	9,745,800	9,745,800
Short-term financial instruments	5,069,691	5,069,691	-	-
Available-for-sale financial assets (*1)	9,684,781	9,684,781	5,386,742	5,386,742
Trade receivables	501,831,099	501,831,099	378,290,034	378,290,034
Other receivables	44,875,184	44,906,949	53,243,084	53,275,342
	<u>₩ 732,624,129</u>	<u>₩ 732,655,894</u>	<u>₩ 555,418,060</u>	<u>₩ 555,450,318</u>
Financial liabilities				
Trade payables	₩ 12,176,419	₩ 12,176,419	₩ 4,389,832	₩ 4,389,832
Borrowings and bonds	808,354,942	806,408,955	845,452,074	844,181,205
Derivative financial instruments	33,807,580	33,807,580	37,926,102	37,926,102
Other payables	62,858,198	62,858,198	76,630,220	76,630,220
	<u>₩ 917,197,139</u>	<u>₩ 915,251,152</u>	<u>₩ 964,398,228</u>	<u>₩ 963,127,359</u>

(*1) Equity instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.

4.2 Financial instruments measured at cost

Details of financial instruments measured at cost as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

	June 30, 2015	December 31, 2014
Available-for-sale financial assets		
MBN	₩ 1,475,167	₩ 1,475,167
Others	588,599	873,433
	<u>₩ 2,063,766</u>	<u>₩ 2,348,600</u>

Unlisted equity instruments have significantly deviating estimated cash flows, and various estimates' occurrence probability cannot be reliably evaluated. Thus, they are evaluated using acquisition cost.

4.3 Fair value hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

4. Fair value (cont'd)

4.3 Fair value hierarchy (cont'd)

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale financial assets	₩ 9,379,021	₩ -	₩ 305,760	₩ 9,684,781
Derivative financial liabilities	-	-	33,807,580	33,807,580
Disclosed fair value				
Borrowings and bonds	-	806,408,955	-	806,408,955
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through profit or loss	₩ 9,745,800	₩ -	₩ -	₩ 9,745,800
Available-for-sale financial assets	5,080,982	-	305,760	5,386,742
Derivative financial liabilities	-	-	37,926,102	37,926,102
Disclosed fair value				
Borrowings and convertible bonds	-	844,181,205	-	844,181,205

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

4. Fair value (cont'd)

4.4 Valuation technique and the inputs

Valuation techniques and inputs used in the recurring fair value measurements categorized within Level 3 of the fair value hierarchy as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

June 30, 2015					
	Fair value	Level	Valuation technique	Inputs	Range of inputs
Derivative financial liabilities (consideration for conversion rights and others)	₩ 33,807,580	3	Monte Carlo model	KRW risk free rate	1.62% ~ 2.07%
				USD risk free rate	0.26% ~ 1.60%
				Fluctuation of stock price	55.12%
				Fluctuation of foreign exchange rate	6.33%
December 31, 2014					
	Fair value	Level	Valuation technique	Inputs	Range of inputs
Derivative financial liabilities (consideration for conversion rights and others)	₩ 37,926,102	3	Monte Carlo model	KRW risk free rate	2.07% ~ 2.29%
				USD risk free rate	0.20% ~ 1.68%
				Fluctuation of stock price	49.96%
				Fluctuation of foreign exchange rate	6.53%

4.5 Valuation processes for fair value measurements categorized within level 3

The Group uses fair values, classified as level 3 for financial reporting purpose, calculated by external professional valuers.

4.6 Sensitivity analysis for recurring fair value measurements categorized within level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

Sensitivity analysis on how 10% change in stock price of the underlying asset affects profit or loss before tax, analyzed based on correlation in stock volatility, which is a significant unobservable input variable, is as follows (Korean won in thousands):

June 30, 2015				
	10% higher	10% lower		
Derivative financial liabilities (consideration for conversion rights and others)	₩ (7,470,689)	₩ 5,797,021		
December 31, 2014				
	10% higher	10% lower		
Derivative financial liabilities (consideration for conversion rights and others)	₩ (4,168,493)	₩ 3,359,996		

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

5. Financial assets

Details of financial assets as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Current assets		
Financial assets at fair value through profit or loss	₩ -	₩ 9,745,800
Short-term financial instruments (*1)	5,069,691	-
Non-current assets		
Available-for-sale financial assets	11,748,547	7,735,342
	<u>₩ 16,818,238</u>	<u>₩ 17,481,142</u>

(*1) The Company provided collateral of foreign currency deposit at Shinhan Bank and other, amounting to USD 4,510 thousand, for the borrowings by Celltrion Don LLC and the foreign currency deposit is restricted to use.

6. Trade receivables

Details of trade receivables as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
June 30, 2015			
Original amount	₩ 509,867,705	₩ 229,825	₩ 510,097,530
Allowance for doubtful accounts	(8,036,606)	(229,825)	(8,266,431)
Carrying amount	<u>₩ 501,831,099</u>	<u>₩ -</u>	<u>₩ 501,831,099</u>
December 31, 2014			
Original amount	₩ 385,569,542	₩ 70,295	₩ 385,639,837
Present value discount	(1,169,640)	-	(1,169,640)
Allowance for doubtful accounts	(6,109,868)	(70,295)	(6,180,163)
Carrying amount	<u>₩ 378,290,034</u>	<u>₩ -</u>	<u>₩ 378,290,034</u>

7. Associates

Details of associates of the Group as at June 30, 2015, are as follows (Korean won in thousands):

<u>Associate</u>	<u>Equity interest</u>	<u>Location</u>	<u>Reporting month</u>
	<u>June 30, 2015</u>		
Boston Incubation Investment Association	25.00%	Republic of Korea	December
2014 growth ladder-IMM venture fund	20.00%	Republic of Korea	December

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

7. Associates (cont'd)

Details of valuation of investments in associates under the equity method for the six-month periods ended June 30, 2015 and 2014 are as follows (Korean won in thousands):

Associate	June 30, 2015				
	Beginning balance	Acquisition	Valuation of equity method in 2015		Ending balance
			Gain or loss on equity method investments	Other comprehensive income or loss	
Boston Incubation Investment Association	₩ 1,557,001	₩ -	₩ (304,607)	₩ -	₩ 1,252,394
2014 growth ladder-IMM venture fund	1,926,914	4,590,000	(14,735)	-	6,502,179
	<u>₩ 3,483,915</u>	<u>₩ 4,590,000</u>	<u>₩ (319,342)</u>	<u>₩ -</u>	<u>₩ 7,754,573</u>

Associate	June 30, 2014				
	Beginning balance	Changes in consolidation scope	Valuation of equity method in 2014		Ending balance
			Gain or loss on equity method investments	Other comprehensive income or loss	
Boston Incubation Investment Association	₩ 2,450,311	₩ -	₩ (185,685)	₩ -	₩ 2,264,626
Celltrion Pharm, Inc. (*1)	53,952,781	(53,952,781)	-	-	-
	<u>₩ 56,403,092</u>	<u>₩ (53,952,781)</u>	<u>₩ (185,685)</u>	<u>₩ -</u>	<u>₩ 2,264,626</u>

(*1) Although the Group owns less than 50% of voting rights, Celltrion Pharm, Inc. is classified as a subsidiary considering the potential voting rights of stock warrants held by the Company.

Summary of condensed financial information of associates as at June 30, 2015 and December 31, 2014, and for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

Associate	June 30, 2015			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Boston Incubation Investment Association	₩ 941,176	₩ 4,474,332	₩ 405,932	₩ -
2014 growth ladder-IMM venture fund	8,150,312	24,362,071	1,485	-
Total	<u>₩ 9,091,488</u>	<u>₩ 28,836,403</u>	<u>₩ 407,417</u>	<u>₩ -</u>

Associate	June 30, 2015					
	For the three months ended			For the six months ended		
	Revenue	Gain (loss) for the period	Total comprehensive loss for the period	Revenue	Loss for the period	Total comprehensive loss for the period
Boston Incubation Investment Association	₩ 15,884	₩ (25,770)	₩ (25,770)	₩ 44,527	₩ (1,218,429)	₩ (1,218,429)
2014 growth ladder-IMM venture fund	382,329	132,330	132,330	408,481	(73,670)	(73,670)
Total	<u>₩ 398,213</u>	<u>₩ 106,560</u>	<u>₩ 106,560</u>	<u>₩ 453,008</u>	<u>₩ (1,292,099)</u>	<u>₩ (1,292,099)</u>

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

7. Associates (cont'd)

Associate	December 31, 2014			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Boston Incubation Investment Association	₩ 400,786	₩ 6,184,554	₩ 357,336	₩ -
2014 growth ladder-IMM venture fund	3,284,567	6,350,000	-	-
Total	₩ 3,685,353	₩ 12,534,554	₩ 357,336	₩ -

Associate	June 30, 2014					
	For the three-month ended			For the six-month ended		
	Revenue	Loss for the period	Total comprehensive loss for the period	Revenue	Loss for the period	Total comprehensive loss for the period
Boston Incubation Investment Association	₩ 27,892	₩ (11,091)	₩ (11,091)	₩ 52,762	₩ (742,744)	₩ (742,744)

Details of adjustments from financial information of associates to the book value of investments in associates as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

Associate	June 30, 2015		
	Net assets at the end of the period	Net assets of equity shares	Book value
Boston Incubation Investment Association	₩ 5,009,576	₩ 1,252,394	₩ 1,252,394
2014 growth ladder-IMM venture fund	32,510,898	6,502,179	6,502,179
Total	₩ 37,520,474	₩ 7,754,573	₩ 7,754,573

Associate	December 31, 2014		
	Net assets at the end of the period	Net assets of equity shares	Book value
Boston Incubation Investment Association	₩ 6,228,004	₩ 1,557,001	₩ 1,557,001
2014 growth ladder-IMM venture fund	9,634,567	1,926,913	1,926,913
Total	₩ 15,862,571	₩ 3,483,914	₩ 3,483,914

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

8. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	2015							June 30, 2015	Accumulated depreciation
	January 1, 2015	Acquisitions	Transfer	Disposals	Depreciation	Others			
Land	₩ 291,448,358	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 291,448,358	₩ -
Buildings	276,696,086	308,069	-	-	4,260,051	(2,815,055)	269,929,049	(32,130,723)	
Facilities	224,547,631	-	-	-	9,883,136	-	214,664,495	(101,558,530)	
Structures	14,870,105	8,000	5,584	-	471,008	(129,477)	14,283,204	(2,782,699)	
Machinery	14,108,177	534,779	997,701	-	1,965,888	9,821	13,684,590	(25,961,064)	
Vehicles	143,044	-	7,529	427	24,647	410	125,909	(236,924)	
Furniture	5,221,285	655,775	-	2,489	1,163,510	-	4,711,061	(11,505,144)	
Construction in progress	71,194,182	22,874,702	(1,010,814)	-	-	2,981,473	96,039,543	-	
	₩ 898,228,868	₩ 24,381,325	₩ -	₩ 2,916	₩ 17,768,240	₩ 47,172	₩ 904,886,209	₩ (174,175,084)	

	2014							June 30, 2014	Accumulated depreciation
	January 1, 2014	Changes in consolidation scope	Acquisitions	Transfer	Disposals	Depreciation	Others		
Land	₩ 264,859,689	₩ 25,367,541	₩ 603,306	₩ 617,822	₩ -	₩ -	₩ -	₩ 291,448,358	₩ -
Buildings	177,135,838	2,484,898	-	6,187,042	-	2,617,934	-	183,189,844	(25,053,836)
Facilities	244,204,564	133,804	18,500	-	-	9,885,496	-	234,471,372	(81,835,498)
Structures	9,331,867	1,134,273	16,500	38,104	-	367,187	(242,347)	9,911,210	(2,271,297)
Machinery	10,603,183	6,938,937	141,830	752,441	-	2,321,873	(54,195)	16,060,323	(22,067,535)
Vehicles	107,320	9,514	25,652	-	-	29,205	(3,674)	109,607	(226,920)
Furniture	6,183,107	920,976	158,794	196,603	1,457	1,186,564	-	6,271,459	(9,191,479)
Construction in progress	4,058,515	114,022,044	18,809,217	(790,545)	-	-	5	136,099,236	-
	₩ 716,484,083	₩ 151,011,987	₩ 19,773,799	₩ 7,001,467	₩ 1,457	₩ 16,408,259	₩ (300,211)	₩ 877,561,409	₩ (140,646,565)

Depreciation of property, plant and equipment is classified for the six-month periods ended June 30, 2015 and 2014, as follows (Korean won in thousands):

	2015		2014	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period
Cost of sales	₩ 7,062,597	₩ 13,560,533	₩ 7,275,581	₩ 14,443,356
Selling and administrative expenses	715,808	1,354,239	616,214	1,335,712
Research and development expenses	269,638	519,218	283,677	604,752
Construction in progress	831,939	2,334,250	12,267	24,439
	₩ 8,879,982	₩ 17,768,240	₩ 8,187,739	₩ 16,408,259

The carrying amounts of property, plant and equipment provided as collateral as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

Collateral (*1)	June 30, 2015	December 31, 2014
Land	₩ 283,785,281	₩ 290,472,728
Buildings	247,792,638	180,423,159
Facilities	214,623,706	224,475,934
Machinery	7,282,623	7,737,577

(*1) Collateral for borrowings and payment guarantees are pledged as joint security.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

8. Property, plant and equipment (cont'd)

Details of borrowings and payment guarantees which are covered by property, plant and equipment provided as collateral as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands and US dollar in thousands):

June 30, 2015			
Creditor	Borrowing amount	Guarantee amount	Collateral value
Shinhan Bank	₩ 167,923,241	USD 3,400	₩ 215,784,000
Woori Bank	116,171,662	USD 2,900	171,360,000
Korea Exchange Bank	14,286,000	-	52,000,000
Korea Development Bank	112,195,622	-	120,000,000
Suhyup Bank	2,000,000	-	2,400,000
Nonghyup Bank	15,000,000	-	18,000,000
Industrial Bank of Korea	14,748,488	-	5,230,000
		-	USD 251

December 31, 2014			
Creditor	Borrowing amount	Guarantee amount	Collateral value
Shinhan Bank	₩ 161,708,553	USD 3,400	₩ 215,784,000
Woori Bank	169,059,573	USD 2,900	231,360,000
Korea Exchange Bank	17,143,000	-	52,000,000
Korea Development Bank	68,786,292	-	72,000,000
Suhyup Bank	2,000,000	-	2,400,000
Industrial Bank of Korea	18,296,578	-	5,230,000
		-	USD 251

Among borrowing costs arising from the borrowings, the amounts included in the acquisition of property, plant, and equipment are ₩2,580 million (the six-month period ended June 30, 2014: ₩569 million)

9. Intangible assets

Changes in the carrying amounts of intangible assets for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

2015								
	January 1, 2015	Acquisitions	Disposals	Amortization	June 30, 2015	Accumulated amortization	Accumulated impairment loss	
Goodwill	₩ 3,025,845	₩ -	₩ -	₩ -	₩ 3,025,845	₩ -	₩ -	-
Software	1,530,710	275,715	-	283,389	1,523,036	(3,717,018)	-	-
Intellectual property	19,253,000	-	-	1,209,000	18,044,000	(23,114,350)	-	-
Development expenses	560,396,447	60,960,056	-	22,542,235	598,814,268	(91,544,554)	(1,068,756)	-
Other intangible assets (*1)	8,389,420	-	-	801,851	7,587,569	(772,507)	-	-
Facility usage rights	8,962,566	75,024	680,640	-	8,356,950	-	-	-
	<u>₩ 601,557,988</u>	<u>₩ 61,310,795</u>	<u>₩ 680,640</u>	<u>₩ 24,836,475</u>	<u>₩ 637,351,668</u>	<u>₩ (119,148,429)</u>	<u>₩ (1,068,756)</u>	<u>-</u>

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

9. Intangible assets (cont'd)

	2014							
	January 1, 2014	Changes in consolidation scope	Acquisitions	Transfer	Amortization	June 30, 2014	Accumulated amortization	Accumulated impairment loss
Goodwill	₩ -	₩ -	₩ 3,025,845	₩ -	₩ -	₩ 3,025,845	₩ -	₩ -
Software	1,300,879	501,530	39,961	-	282,070	1,560,300	(3,156,820)	-
Intellectual property	21,671,000	-	-	-	1,209,000	20,462,000	(18,538,000)	-
Development expenses	471,520,882	11,564,151	52,001,645	-	18,926,417	516,610,261	(46,177,621)	(1,068,756)
Other intangible assets (*1)	206,373	9,552,518	20,145	315,530	894,890	9,199,676	(598,461)	-
Facility usage rights	7,802,027	1,160,539	-	-	-	8,962,566	-	-
	<u>₩ 502,501,161</u>	<u>₩ 22,778,738</u>	<u>₩ 55,087,596</u>	<u>₩ 315,530</u>	<u>₩ 21,312,377</u>	<u>₩ 559,370,648</u>	<u>₩ (68,470,902)</u>	<u>₩ (1,068,756)</u>

(*1) Identifiable intangible assets of exclusive sales and development technology of products from Celltrion Pharm, Inc., a new consolidated subsidiary for the six-month period ended June 30, 2014, are included.

Among borrowing costs arising from the borrowings, the amounts included in the acquisition of intangible assets are ₩4,489 million (the six-month period ended June 30, 2014: ₩6,746 million)

The details of significant intangible assets as at June 30, 2015, are as follows:

Category	Description
Intellectual property	Rights to manufacture biomedicine and antigen and usage of mass production technology
Development expenses	Development of products and others

Material expenditures that are not recognized as assets because the Group does not have control, but from which future economic benefits are expected, for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	2015		2014	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period
Marketing costs	₩ 3,892,033	₩ 6,058,884	₩ 2,825,499	₩ 3,342,717
Training costs	130,767	196,746	222,272	370,587
	<u>₩ 4,022,800</u>	<u>₩ 6,255,630</u>	<u>₩ 3,047,771</u>	<u>₩ 3,713,304</u>

Amortization of intangible assets was classified for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	2015		2014	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period
Cost of sales	₩ 11,336,541	₩ 22,672,710	₩ 9,528,846	₩ 19,057,080
Selling and administrative expenses	1,070,549	2,138,525	1,157,660	2,237,186
Research and development expenses (*1)	10,842	18,635	7,694	15,814
Transfer of construction in progress (*1)	3,744	6,605	1,687	2,297
Total	<u>₩ 12,421,676</u>	<u>₩ 24,836,475</u>	<u>₩ 10,695,887</u>	<u>₩ 21,312,377</u>

(*1) The amount includes only amortization of software.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

9. Intangible assets (cont'd)

The Group recorded research and development costs amounting to ₩14,271 million as expense during the current period (the six-month period ended June 30, 2014: ₩30,346 million).

10. Financial liabilities

The details of book value of financial liabilities as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Current		
Short-term borrowings	₩ 284,835,578	₩ 263,895,745
Current maturities of long-term borrowings	125,902,600	140,188,320
Current convertible bonds	87,603,916	-
Derivative financial liabilities	33,807,580	-
Sub total	<u>₩ 532,149,674</u>	<u>₩ 404,084,065</u>
Non-current		
Long-term borrowings	₩ 185,105,100	₩ 198,770,680
Convertible bonds	24,448,386	242,597,328
Derivative financial liabilities	-	37,926,102
Exchangeable bonds	100,459,363	-
Sub total	<u>310,012,849</u>	<u>479,294,110</u>
Total	<u>₩ 842,162,523</u>	<u>₩ 883,378,175</u>

Convertible bonds issued on March 27, 2013, are as follows (Korean won in thousands and US dollar in thousands, except per share):

Face value	At issuance	₩ 332,370,000 (USD 300,000)
	As at June 30, 2015	84,588,525 (USD 75,250)
Discounts	At issuance	6,476,956
	As at June 30, 2015	987,293
Adjustment of conversion consideration (*1)	At issuance	70,190,295
	As at June 30, 2015	10,699,105
Types and quantities of shares at conversion	At issuance	4,613,427 registered ordinary shares
	As at June 30, 2015 (*2)	1,249,430 registered ordinary shares
Nominal interest rate		2.75%
Interest payment		Annual interests paid twice on the sixth and twelfth months from the issuance date.
Redemption method at maturity		Redemption of principal and interest at maturity if no early redemption of convertible debts or conversion occurs until maturity.
Claim for put option by bond holders		Call options by the Company and put options by the bond holders.
Conversion period		September 27, 2014 ~ March 16, 2018
Conversion price (*3) in Korean won		₩ 65,418 per share

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

10. Financial liabilities (cont'd)

- (*1) Embedded derivatives on the convertible bonds are separated from the host instrument bond and recognized as derivative liabilities.
(*2) The quantity of the shares changed as a result of the buy-back, stock dividends and exercise of convertible rights.
(*3) The conversion price of convertible bonds is adjusted according to the terms and conditions of the bond when the equity securities are issued at discount, cash or stock dividend is paid, or capital reduction, reversal of reserve, stock split or reverse stock split occur.

Details of convertible bonds that Celltrion Pharm, Inc., a subsidiary of the Company, issued on April 18, 2014 and February 27, 2015, are as follows (Korean won in thousands, except per share):

		The 4th registered convertible bonds	The 5th non-registered convertible bonds	
Face value	₩	10,000,000	₩	30,000,000
Premium on bonds		2,456,926		5,722,960
Adjustment of conversion consideration	At issuance	3,415,032		6,843,392
(*1)	As at June 30, 2015	2,710,329		6,319,382
Types and quantities of shares at conversion	At issuance	802,568 registered ordinary shares		2,260,738 registered ordinary shares
	As at June 30, 2015 (*2)	842,459 registered ordinary shares		2,373,417 registered ordinary shares
Nominal interest rate		1.50%		1.50%
Guaranteed rate of return		5.90%		5.90%
Interest payment		January 18, April 18, July 18 and October 18 (annually)		February 26, May 26, August 26 and November 26 (annually)
Redemption method at maturity		Guaranteed rate of return less nominal interest rate would be computed at compound interest method from the next day of bond issuance date, and the amount would be added to face amount and paid at maturity.		Guaranteed rate of return less nominal interest rate would be computed at compound interest method from the next day of bond issuance date, and the amount would be added to face amount and paid at maturity.
Acceleration clause		Guaranteed rate of return would be computed at compound interest method from the next day of bond issuance date until early redemption date. The calculated amount less a sum of paid nominal interest would be added to face amount and paid at early redemption date.		If early redemption occurs, residual interest amount will be deducted interest payments received until the early redemption date from the daily compounding at 10% of annual interest rate with the outstanding face value of convertible bonds for the period from the date of the issuance date till early redemption date

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

10. Financial liabilities (cont'd)

Claim for put option by bond holders	50% of convertible bonds after 3 years, 100% of convertible bonds after 4 years from issuance date are claimable.	50% of convertible bonds after 1 year, 100% of convertible bonds after 2 years from issuance date are claimable.
Conversion period	April 18, 2015 ~ April 17, 2019	February 26, 2016 ~ February 25, 2019
Conversion price in Korean won (*3)	₩11,870 per share	₩12,640 per share

(*1) The fair value of liability component of the convertible bonds was determined by the market interest rate of the bonds without the conversion rights on the same terms. The residual amount, after deducting liability component from the issuance amount, represents the value of conversion rights and net amount after tax effect is recorded in equity.

(*2) Numbers of shares to be issued have been changed due to stock dividends after the acquisition of convertible bonds.

(*3) The conversion price of convertible bonds is adjusted according to the terms and conditions of the bonds when stock price decreases, equity securities are issued at discount, stock dividend is paid, or capital reduction, reversal of reserve, stock split or reverse stock split occur.

Changes in the derivative financial liabilities for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	2015			
	Beginning balance	Evaluation (*1)	Conversion (*1)	Ending balance
Consideration for conversion rights and other rights	₩ 37,926,102	₩ 22,504,851	₩ (26,623,373)	₩ 33,807,580
	2014			
	Beginning balance	Increase	Evaluation	Ending balance
Consideration for conversion rights and other rights	₩ 33,224,237	₩ -	₩ 10,504,582	₩ 43,728,819

(*1) Loss on valuation and conversion related to derivative financial liabilities is recognized as other expenses.

No cash flows occurred upon conversion as the derivatives settled or matured.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

10. Financial liabilities (cont'd)

Exchangeable bonds issued on June 19, 2015, are as follows (Korean won in thousands except per share):

Face value	At issuance	₩	112,000,000
	As at June 30, 2015		112,000,000
Premium on bonds	At issuance		10,452,198
	As at June 30, 2015		10,452,198
Discounts	At issuance		556,600
	As at June 30, 2015		551,691
Adjustment of exchange consideration (*1)	At issuance		21,631,926
	As at June 30, 2015		21,441,144
Types and quantities of shares at exchange	At issuance		1,356,918 treasury shares
	As at June 30, 2015		1,356,918 treasury shares
Nominal interest rate			2.00%
Interest payment		March 19, June 19, September 19 and December 19 (annually)	
Redemption method at maturity		1) Redemption of principal and interest at maturity if no exchange rights are exercised until maturity. 2) For the parts of bonds whose exchange rights are not exercised, the additional amounts will be paid. The additional amounts will be the YTM(Yield To Maturity) interest (it will be calculated with the YTM rate from the issuance date to the maturity date with the face value) minus interest paid until the maturity date and the interest with the 5% of annual compound interest rate for the period from the each interest paid date to the maturity date.	
Claim for put option by bond holders		Whole or partial face value of exchangeable bonds are claimable on the day after 2 years from issuance date and every 3 months after the day after 2 years from issuance date.	
Exchange period		December 19, 2015 ~ May 19, 2018	
Exchange price (*2) in Korean won			₩ 82,540 per share

(*1) The fair value of liability component of the exchangeable bonds was determined by the market interest rate of the bonds without the exchange rights on the same terms. The residual amount, after deducting liability component from the issuance amount, represents the value of exchange rights and net amount after tax effect is recorded in equity.

(*2) The exchange price of exchangeable bonds is adjusted according to the terms and conditions of the bonds when equity securities are issued at discount, cash dividend is paid, stock dividend is paid, capital reduction, reversal of reserve, stock split or reverse stock split occur.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

11. Equity

Changes in issued capital and share premium for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands, except shares):

	<u>Ordinary share</u>	<u>Issued capital</u>	<u>Share premium</u>	<u>Total</u>
At January 1, 2014	100,503,857	₩ 100,503,857	₩ 370,966,449	₩ 471,470,306
Stock dividends	2,942,003	2,942,003	-	2,942,003
Exercise of stock warrants	69,859	69,859	2,182,184	2,252,043
At June 30, 2014	<u>103,515,719</u>	<u>103,515,719</u>	<u>373,148,633</u>	<u>476,664,352</u>
At January 1, 2015	103,569,771	₩ 103,569,771	₩ 374,601,628	₩ 478,171,399
Stock dividends	5,105,283	5,105,283	-	5,105,283
Exercise of stock warrants	192,525	192,525	8,730,716	8,923,241
Exercise of conversion rights	2,942,885	2,942,885	216,714,315	219,657,200
At June 30, 2015	<u>111,810,464</u>	<u>₩ 111,810,464</u>	<u>₩ 600,046,659</u>	<u>₩ 711,857,123</u>

Other components of equity as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Treasury stock	₩ (82,868,895)	₩ (81,336,477)
Stock options	11,198,145	11,237,753
Other capital surplus (*1)	142,512	(9,154,314)
	<u>₩ (71,528,238)</u>	<u>₩ (79,253,038)</u>

(*1) The value of exchange rights related to issuance of exchangeable bonds is recorded in equity, after tax effect.

Changes in treasury stock for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands, except shares):

	<u>Number of shares</u>	<u>Amount</u>
As at January 1, 2014	2,437,083	₩ 135,852,397
Acquisition of treasury stock	27,017	1,242,792
As at June 30, 2014	<u>2,464,100</u>	<u>137,095,189</u>
As at January 1, 2015	1,464,100	81,336,478
Acquisition of treasury stock (*1)	22,535	1,532,417
As at June 30, 2015	<u>1,486,635</u>	<u>₩ 82,868,895</u>

(*1) Acquisition of treasury stock occurred by acquisition of fractional shares.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

11. Equity (cont'd)

There is no treasury stock provided as collateral for borrowings as at June 30, 2015. Treasury stocks provided as collateral for borrowings as at December 31, 2014, are as follows (Korean won in thousands, except shares):

	<u>Commitment amount</u>		<u>Loan balance</u>		<u>Number of shares</u>
At December 31, 2014					
Golden Bridge Investment Securities Co., Ltd.	₩ 8,000,000	₩	8,000,000		368,429
Dongbu Securities Co., Ltd.	5,000,000		5,000,000		252,206
	<u>₩ 13,000,000</u>	<u>₩</u>	<u>13,000,000</u>		<u>620,635</u>

Movements in the number of share options outstanding and their related weighted average exercise prices for the six-month period ended June 30, 2015 is as follows (Korean won in thousands, except shares):

	<u>Options (unit: share)</u>		<u>Amount</u>
Beginning (*1)	1,468,970	₩	11,237,753
Grant (*2)	286,503		2,404,477
Exercise	(192,525)		(2,444,085)
Forfeited	(27,000)		-
Ending	<u>1,535,948</u>	<u>₩</u>	<u>11,198,145</u>

(*1) It is adjusted by reflecting effects of stock dividends during the current period.

(*2) The Company evaluated the weighted average fair value of options granted during the period using the Black-Scholes valuation model.

12. Dividends

There was no cash dividends paid for the year ended December 31, 2014 (payment in 2014: nil). In addition, stock dividends of ₩5,105 million (5,105,283 ordinary shares, 2014: 2,942,003 shares) for the year ended December 31, 2014, was declared on March 20, 2015, and ordinary shares were issued.

13. Income tax

Estimated average annual income tax rate reflecting the Group's tax credits is not calculated for the fiscal year ended December 31, 2015, due to income tax benefit.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

14. Expenses by nature

Details expenses by nature for the six-month ended June 30, 2015 and 2014 are as follows (Korean won in thousands):

	2015		2014	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period
Changes in inventories	₩ 591,319	₩ (15,354,982)	₩ (10,694,040)	₩ (29,183,985)
Employee benefit expense	20,510,120	38,808,077	20,997,321	39,670,370
Purchase of raw materials	10,691,797	19,634,899	8,057,352	16,267,741
Purchase of reagent and supplies	299,761	828,961	1,057,784	1,740,871
Service costs	11,350,480	19,180,186	18,760,078	28,309,683
Bad debt expenses	3,981,454	3,616,301	474,104	876,626
Commission expenses	1,608,651	3,246,336	5,454,887	6,368,307
Taxes and dues	1,099,521	1,470,046	1,033,724	1,376,560
Rental expense	570,285	1,086,195	501,008	966,430
Depreciation	7,778,405	14,914,772	7,891,795	15,779,068
Amortization	12,407,089	24,811,234	10,686,506	21,294,266
Other expenses	16,059,357	31,423,253	16,997,550	28,977,910
Total (*1)	₩ 86,948,239	₩ 143,665,278	₩ 81,218,069	₩ 132,443,847

(*1) The amount is the sum of cost of sales, and selling and administrative expenses.

15. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Group and held as treasury shares.

Basic earnings per share for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in units, shares):

	2015		2014	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period
Profit attributable to ordinary shares	₩ 57,886,715,857	₩ 43,285,682,864	₩ 71,825,719,118	₩ 85,817,836,295
Weighted average number of ordinary shares outstanding	109,081,384	108,140,855	106,205,487	106,181,204
Basic earnings per share	531	400	676	808

(*1) It is adjusted reflecting effects of stock dividends during the current period.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

15. Earnings per share (cont'd)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has three categories of dilutive potential ordinary shares: convertible bonds, exchangeable bonds and stock options. The convertible bonds and exchangeable bonds are assumed to have been converted and exchanged into ordinary shares, and the net profit is adjusted to eliminate the interest expense, currency difference and others less the tax effect. For the stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

Diluted earnings per share for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in units, shares):

	2015		2014 (*1)	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period
Profit attributable to ordinary shares	₩ 57,886,715,857	₩ 43,285,682,864	₩ 71,825,719,118	₩ 85,817,836,295
Loss related to convertible bonds	-	-	(4,365,792,492)	-
Dilutive profit attributable to ordinary shares	<u>57,886,715,857</u>	<u>43,285,682,864</u>	<u>67,459,926,626</u>	<u>85,817,836,295</u>
Weighted average number of ordinary shares in issue (shares)	109,081,384	108,140,855	106,205,487	106,181,204
Adjustment for:				
Stock warrants	519,970	425,344	116,927	118,327
Convertible bonds	<u>-</u>	<u>-</u>	<u>3,999,475</u>	<u>-</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>109,601,354</u>	<u>108,566,199</u>	<u>110,321,889</u>	<u>106,299,532</u>
Diluted earnings per share	528	399	611	807

(*1) It is adjusted reflecting effects of stock dividends during the current period.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

16. Supplemental cash flow information

The details of adjustments and change of net working capital in cash generated from operations for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	2015	2014
Profit for the period	₩ 44,199,463	₩ 89,120,025
Adjustments for:		
Income tax expense (benefit)	(2,921,604)	29,075,377
Allowance of inventories	4,486,680	1,547,403
Share-based payment	2,029,109	1,881,994
Bad debt expenses	3,616,301	876,626
Other bad debt expenses (reverse)	5,899	(2,489)
Depreciation	14,914,772	15,779,068
Amortization	24,811,234	21,294,266
Loss on relation of foreign currency	2,757,840	337,222
Gain on relation of foreign currency	(2,660,535)	(9,732,007)
Dividend income	-	(20,291)
Gain on valuation of financial assets at fair value	-	(636,867)
Loss on valuation of financial assets at fair value	22,504,851	10,504,582
Gain on disposal of financial assets at fair value	-	(1,018,932)
Loss on disposal of financial assets at fair value	45,985,422	28,626
Gain on disposal of available-for-sale financial assets	(65,166)	(372,872)
Loss on disposal of available-for-sale financial assets	-	1,346
Impairment loss on available-for-sale financial assets	-	24,474
Loss on disposal of investments in associates	-	4,568,327
Gain on disposal of property, plant and equipment	(10,084)	(1,000)
Loss on disposal of property, plant and equipment	637	1,458
Loss on disposal of intangible assets	446,096	-
Interest expenses	15,771,548	16,484,535
Interest income	(4,069,051)	(5,452,422)
Loss from debenture repayment	-	656,807
Share of loss of associates	319,341	185,686
Total adjustments	₩ 127,923,290	₩ 86,010,917
Change of net working capital		
Trade receivables	₩ (124,454,389)	₩ (132,846,448)
Other receivables	1,262,729	1,078,556
Inventories	(34,483,594)	(18,549,451)
Other current assets	4,336,946	(1,775,585)
Other non-current assets	(286,862)	(93,130)
Trade payables	7,716,005	(10,919,124)
Other payables	(10,270,184)	6,817,781
Other current liabilities	(1,472,996)	(893,095)
Provisions	(1,273)	31,198
Total change of net working capital	(157,653,618)	(157,149,298)
Cash generated from operations	₩ 14,469,135	₩ 17,981,644

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

16. Supplemental cash flow information (cont'd)

The principal non-cash transactions for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	<u>2015</u>		<u>2014</u>
Transfer of construction-in-progress to property, plant and equipment	₩ 1,010,814	₩	790,545
Transfer of current maturities of long-term loans	1,488,516		2,340,687
Transfer of current maturities of long-term borrowings	32,951,300		83,294,164
Transfer of current maturities of convertible bonds	250,826,083		-
Transfer of current maturities of derivative financial liabilities	91,217,278		-
Exercise of convertible rights of convertible bonds	219,657,199		-
Transfer of equity by stock dividends	5,577,499		2,942,003
Transfer of investment property to property, plant and equipment	-		7,001,467

17. Contingencies and commitments

As at June 30, 2015, the Group has the exclusive sales and distribution rights agreement and the product supply agreement with Celltrion Healthcare Co., Ltd., the related party as at June 30, 2015, on the products that the Group is currently developing and will develop in the future. In addition, the Group has obligations for the development and supply of products in accordance with the Master Service Agreement contracted with Celltrion Healthcare Co., Ltd..

The Group sold and supplied ₩225,863 million, representing 85.01% of total sales, (the six-month period ended June 30, 2014: ₩236,144 million) of products and services in accordance with the above agreements for the six-month period ended June 30, 2015. Related receivables from Celltrion Healthcare Co., Ltd. are ₩461,154 million as at June 30, 2015 (December 31, 2014: ₩338,681 million).

On request of Celltrion Healthcare Co., Ltd., in accordance with the exclusive sales and distribution rights agreement between Celltrion Healthcare Co., Ltd. and the Company, the Company is to store products sold to Celltrion Healthcare Co., Ltd., which represents a significant portion of products sold to Celltrion Healthcare Co., Ltd. at the Company's warehouse having specifically-designed refrigeration units, approved by local safety regulators. These products have been separately partitioned from the Company's inventories.

As at June 30, 2015, the subsidiary, Celltrion Pharm, Inc., has the exclusive sales and distribution rights agreement for domestic market and the product supply agreement with Celltrion Healthcare Co., Ltd., whose largest stockholder is the representative director of Celltrion Pharm, Inc. Celltrion Pharm, Inc. paid advance payments of ₩25,000 million in 2008 for the agreement. The advance payment has been offset by inventory purchase cost, and the remaining balance of ₩14,460 million would be collected as cash in 2015. Therefore, the advance payment, amounting to ₩14,460 million, is reclassified as other receivables.

In relation to the other receivables stated above, 6,267 registered ordinary shares of Celltrion Healthcare Co., Ltd. are pledged to the Group as collaterals from the largest shareholder of entity which exercises significant influence on the Group.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

17. Contingencies and commitments (cont'd)

The guarantees that the Company provided to its subsidiary as at June 30, 2015 and December 31, 2014, are as follows (US dollar in thousands):

Purpose	Warrantee	Providing financial institution	Amounts	
			June 30, 2015	December 31, 2014
Guarantee for borrowing of subsidiary company	Celltrion Don LLC	Korea EXIM Bank	USD 1,000	USD 4,000
		Woori Bank	USD 3,200	USD 2,900
		Shinhan Bank	USD 7,350	USD 3,400

In addition, the Company has entered into commitments to provide additional collateral to the Korea Securities Finance Corporation and Daewoo Securities Co., Ltd. in case of shortage of collateral for borrowings by the Employee Stock Ownership Association from the Korea Securities Finance Corporation and Daewoo Securities Co., Ltd. which have employees' stockholding as collateral, and the related joint surety of ₩19,240 million (December 31, 2014: ₩25,181 million) and ₩7,421 million (December 31, 2014: ₩23,631 million) are provided to the Korea Securities Finance Corporation and Daewoo Securities Co., Ltd., respectively.

The Group was provided with a ₩53 million (December 31, 2014: ₩53 million) guarantee from Seoul Guarantee Insurance Co., Ltd. related to the refund of the support fund for childcare facilities for employees.

As at June 30, 2015, the Group has entered into a loan commitment with Shinhan bank, Woori bank and other, and was provided with a guarantee from a financial institution related to the issuance of letter of credit and letter of guarantee from financial institutions.

As at June 30, 2015, the Group is a defendant in pending lawsuits involving 2 claims for infringement of patent and others. As at the reporting date, the outcome of the pending litigation cannot be reasonably estimated.

As at June 30, 2015, Celltrion Pharm, Inc., a subsidiary of the Company, was imposed additional corporate income tax amounting to ₩10,991 million for the omission of goodwill income in 2009 by Korean tax authorities. Celltrion Pharm, Inc. is going to claim for tax appeal and file an administrative litigation. The Group recognized related assets and liabilities on the interim consolidated financial statements.

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

18. Related parties

Details of the Group and its related parties as at June 30, 2015 and December 31, 2014, are as follows:

Category	2015	2014
Representative director (s)	Woo Sung Kee, Hyoung Ki Kim	Jung Jin Seo
Entity which exercises significant influence on the Group	Celltrion Holdings Co., Ltd.	Celltrion Holdings Co., Ltd.
Associates	Boston Incubation Investments Association 2014 growth-ladder-IMM venture fund	Boston Incubation Investments Association 2014 growth-ladder-IMM venture fund
Other related parties	Celltrion Healthcare Co., Ltd. Celltrion GSC Co., Ltd. Others	Celltrion Healthcare Co., Ltd. Celltrion GSC Co., Ltd. Others

Significant transactions, which occurred in the normal course of business with related parties for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	2015				
	Sales	Other income	Interest income	Purchase	Others
Entity which exercises significant influence on the Group					
Celltrion Holdings Co., Ltd.	₩ -	₩ -	₩ 161,765	₩ -	₩ -
Other related parties					
Celltrion Healthcare Co., Ltd.	225,863,015	779,607	3,151,840	11,138	122,727
Celltrion GSC Co., Ltd.	-	5,861	47,260	-	-
Others	20,172	109,720	-	402,403	-
Total	₩ 225,883,187	₩ 895,188	₩ 3,360,865	₩ 413,541	₩ 122,727
	2014				
	Sales	Other income	Interest income	Purchase	Others
Other related parties					
Celltrion Healthcare Co., Ltd.	₩ 236,143,614	₩ 239,215	₩ 4,779,979	₩ 42,728	₩ -
Celltrion GSC Co., Ltd.	-	2,542	-	180,279	-
Others	10,565	26,916	-	79,284	37,009
Total	₩ 236,154,179	₩ 268,673	₩ 4,779,979	₩ 302,291	₩ 37,009

Balances of receivables from and payable to related parties as at June 30, 2015 and December 31, 2014, are as follows (Korean won in thousands):

	2015		
	Trade receivables (*1)	Other receivables	Other payables
Other related parties			
Celltrion Healthcare Co., Ltd.	₩ 466,704,206	₩ 15,851,051	₩ -
Celltrion GSC Co., Ltd.	-	397	-
Others	-	447,228	6,078
Total	₩ 466,704,206	₩ 16,298,676	₩ 6,078

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

18. Related parties (cont'd)

	2014					
	Trade receivables (*1)		Other receivables		Other payables	
Other related parties						
Celltrion Healthcare Co., Ltd.	₩	341,528,271	₩	14,508,399	₩	7,165
Others		14,786		342,773		18,658
Total	₩	341,543,057	₩	14,851,172	₩	25,823

(*1) Includes allowance of doubtful accounts of ₩5,550 million (December 31, 2014: ₩2,847 million).

The Group is provided with payment guarantees ₩85,917 million and ₩648,881 (December 31, 2014: ₩719,184 million) from the entity which exercises significant influence on the Group and the largest shareholder of entity regarding certain borrowings as at June 30, 2015.

Changes in loans to related parties, for the six-month period ended June 30, 2015, are as follows (Korean won in thousands):

		Interest rate	2015					
			At January 1, 2015	Loans granted	Redemption	Interest charged	Interest received	At June 30, 2015
Entity which exercises significant influence on the Group	Celltrion Holdings Co., Ltd.	6.90%	₩ -	₩ 20,000,000	₩ (20,000,000)	₩ 160,685	₩ (160,685)	₩ -
Other related party	Celltrion GSC Co., Ltd.	6.90%	-	10,000,000	(10,000,000)	47,260	(47,260)	-
Total			₩ -	₩ 10,000,000	₩ (30,000,000)	₩ 207,945	₩ (207,945)	₩ -

Payment guarantees to related parties are explained in Note 17.

Key management personnel include directors (standing and non-standing) and audit committee members who have significant control and responsibilities on the Group's operation and business. The compensations paid or payable to key management personnel for employee services for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	2015	2014
Salaries and other short-term employee benefits and other	₩ 7,640,041	₩ 4,902,747
Pension benefits	600,349	623,648
Total	₩ 8,240,390	₩ 5,526,395

Celltrion, Inc. and its subsidiaries
Notes to the Interim consolidated financial statements
June 30, 2015 and 2014, and December 31, 2014

19. Non-controlling interest

Details of changes in non-controlling interest for the six-month periods ended June 30, 2015 and 2014, are as follows (Korean won in thousands):

	Celltrion, Inc. and its subsidiaries	
Accumulated amount at January 1, 2015	₩	100,386,953
Changes in consolidation scope		-
Profit for the period distributed to non-controlling interest		913,780
Other comprehensive income distributed to non-controlling interest		12,279
Others (*1)		2,307,745
Accumulated amount at June 30, 2015	₩	<u>103,620,757</u>

	Celltrion, Inc. and its subsidiaries	
Accumulated amount at January 1, 2014	₩	-
Changes in consolidation scope		97,223,477
Profit for the period distributed to non-controlling interest		3,302,189
Other comprehensive income distributed to non-controlling interest		(7,430)
Others (*1)		782,276
Accumulated amount at June 30, 2014	₩	<u>101,300,512</u>

(*1) Others represent the changed amount of owned shares due to exercise of stock warrants granted by Celltrion Pharm, Inc. which is a subsidiary of the Company and also represent the changed amount of net assets according to the recognition of conversion rights, stock warrants and acquisition of treasury stocks.

20. Events after the reporting period

After the reporting period, among the Company's convertible bonds amounting to USD 12,250 thousand are converted to 203,387 of ordinary shares (Conversion price: ₩65,418). The balance of convertible bonds that are not converted are USD 63,000 thousand, the number of shares convertible is 1,046,643 shares.

After the reporting period, all of the 4th registered convertible bonds amounting ₩10,000 million issued by Celltrion Pharm Inc., a subsidiary of the Company, are converted to 842,459 of ordinary shares (Conversion price: ₩11,870).