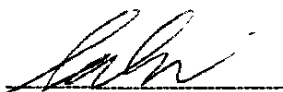


Celltrion Healthcare Hungary Kft. and its subsidiaries

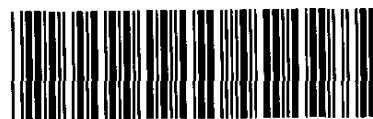
CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019
in accordance with International Financial Reporting Standards (IFRS)
(as adopted by the EU)

Budapest, 22nd October 2020



Hangi Lee
Managing Director



A20 *A9HR3LRM* #279
13/11/2020
COMPANIES HOUSE

Független Könyvvizsgálói Jelentés

A Celltrion Healthcare Hungary Kft. tulajdonosa részére

Vélemény

Elvégeztük a Celltrion Healthcare Hungary Kft. és leányvállalatai ("Csoport") mellékelt 2019. évi összevont (konszolidált) éves beszámolójának a könyvvizsgálatát, amely összevont (konszolidált) éves beszámoló a 2019. december 31-i fordulónapra elkészített összevont (konszolidált) pénzügyi helyzetre vonatkozó kimutatásból - melyben az eszközök és források egyező végösszege 598.683.442 EUR, a tárgyévi átfogó eredmény 5.502.690 EUR nyereség-, az ezen időponttal végződő évre vonatkozó összevont (konszolidált) átfogó jövedelemre vonatkozó kimutatásból, összevont (konszolidált) saját tőke változásainak kimutatásából, összevont (konszolidált) cash flow-k kimutatásából, valamint a számviteli politika jelentős elemeinek összefoglalását is tartalmazó összevont (konszolidált) kiegészítő mellékletből áll.

Véleményünk szerint az összevont (konszolidált) éves beszámoló megbízható és valós képet ad a Csoport 2019. december 31-én fennálló összevont (konszolidált) pénzügyi helyzetéről, valamint az ezen időponttal végződő pénzügyi évre vonatkozó összevont (konszolidált) pénzügyi teljesítményéről és összevont (konszolidált) cash flow-iról a Nemzetközi Pénzügyi Beszámolási Standardokkal - ahogyan azokat az EU befogadta - („EU IFRS-ek”) összhangban, valamint az minden lényeges vonatkozásban a számvitelről szóló 2000. évi C. törvény (a továbbiakban: „számviteli törvény”) EU IFRS-ek szerint összeállított összevont (konszolidált) éves beszámolóra vonatkozó kiegészítő követelményeinek megfelelően készült.

A vélemény alapja

Könyvvizsgálatunkat a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban és a könyvvizsgálatra vonatkozó -Magyarországon hatályos -törvények és egyéb jogszabályok alapján hajtottuk végre. Ezen standardok értelmében fennálló felelősségünk bővebb leírását jelentésünk „a könyvvizsgálónak az összevont (konszolidált) éves beszámoló könyvvizsgálatáért való felelőssége” szakasza tartalmazza.

Függetlenek vagyunk a Társaságtól a vonatkozó, Magyarországon hatályos jogszabályokban és a Magyar Könyvvizsgálói Kamarának a könyvvizsgálói hivatás magatartási (etikai) szabályairól és a fegyelmi eljárásról szóló szabályzatában, valamint az ezekben nem rendezett kérdések tekintetében a Nemzetközi Etikai Standardok Testülete (IESBA) által kiadott „Nemzetközi Etikai Kódex Könyvvizsgálóknak (benne foglalva a Függetlenségre Vonatkozó Nemzetközi Standardok)”-ban (az IESBA Kódex-ben) foglaltak szerint, és megfelelünk az ugyanezen normákban szereplő további etikai előírásoknak is.

Meggyőződésünk, hogy az általunk megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt véleményünkhöz.

Egyéb kérdések

A Társaság nem tett eleget a vonatkozó jogszabályokban foglaltaknak, és nem helyezte letétbe 2020. szeptember 30-ig az összevont (konszolidált) éves beszámolót.

Egyéb információk

Az egyéb információk a Csoport 2019. évi összevont (konszolidált) üzleti jelentéséből állnak. A vezetés felelős az összevont (konszolidált) üzleti jelentésnek a számviteli törvény, illetve egyéb más jogszabály vonatkozó előírásaival összhangban történő elkészítéséért. A jelentésünk „Vélemény” szakaszában az összevont (konszolidált) éves beszámolóra adott véleményünk nem vonatkozik az összevont (konszolidált) üzleti jelentésre.

Az összevont (konszolidált) éves beszámoló általunk végzett könyvvizsgálatával kapcsolatban a mi felelősségünk az összevont (konszolidált) üzleti jelentés átolvasása és ennek során annak mérlegelése, hogy az összevont (konszolidált) üzleti jelentés lényegesen ellentmond-e az összevont (konszolidált) éves beszámolónak vagy a könyvvizsgálat során szerzett ismereteinknek, vagy egyébként úgy tűnik-e, hogy az lényeges hibás állítást tartalmaz.

Az összevont (konszolidált) üzleti jelentéssel kapcsolatban, a számviteli törvény alapján a mi felelősségünk továbbá az összevont (konszolidált) üzleti jelentés átolvasása során annak a megítélése, hogy az összevont (konszolidált) üzleti jelentés a számviteli törvény, illetve, ha van, egyéb más jogszabály vonatkozó előírásaival összhangban készült-e.

Véleményünk szerint a Csoport 2019. évi összevont (konszolidált) üzleti jelentése minden lényeges vonatkozásban összhangban van a Csoport 2019. évi összevont (konszolidált) éves beszámolójával és a számviteli törvény vonatkozó előírásaival.

Mivel egyéb más jogszabály a Csoport számára nem ír elő az üzleti jelentésre vonatkozó további követelményeket, ezért e tekintetben nem mondunk véleményt.

A fentiekén túl a Csoportról és annak környezetéről a könyvvizsgálat során megszerzett ismereteink alapján jelentést kell tennünk arról, hogy a tudomásunkra jutott-e bármely lényegesnek tekinthető hibás közlés (lényeges hibás állítás) az összevont (konszolidált) üzleti jelentésben, és ha igen, akkor a szóban forgó hibás közlés (hibás állítás) milyen jellegű. Ebben a tekintetben nincs jelenteni valónk.

A vezetés felelőssége az összevont (konszolidált) éves beszámolóért

A vezetés felelős az összevont (konszolidált) éves beszámoló elkészítéséért és valós bemutatásáért az EU IFRS-ekkel összhangban, valamint a számviteli törvény EU IFRS-ek szerint összeállított éves beszámolóra vonatkozó kiegészítő követelményeivel összhangban történő elkészítéséért, valamint az olyan belső kontrollokért, amelyeket a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő, lényeges hibás állításoktól mentes összevont (konszolidált) éves beszámoló elkészítése.

Az összevont (konszolidált) éves beszámoló elkészítése során a vezetés felelős azért, hogy felmérje a Csoportnak a vállalkozás folytatására való képességét és az adott helyzetnek megfelelően közvéetegy a vállalkozás folytatásával kapcsolatos információkat, valamint a vezetés felel a vállalkozás folytatásának eivén alapuló számvitel összevont (konszolidált) éves beszámolóban való alkalmazásáért, azt az esetet kivéve, ha a vezetésnek szándékában áll megszüntetni a Csoport vagy beszüntetni az üzletszerű tevékenységet, vagy amikor ezen kívül nem áll előtte más reális lehetőség.

A könyvvizsgálónak az összevont (konszolidált) éves beszámoló könyvvizsgálatáért való felelőssége

A könyvvizsgálat során célunk kellő bizonyosságot szerezni arról, hogy az összevont (konszolidált) éves beszámoló egésze nem tartalmaz akár csalásból, akár hibából eredő lényeges hibás állítást, valamint az, hogy ennek alapján a véleményünket tartalmazó független könyvvizsgálói jelentést bocsássunk ki. A kellő bizonyosság magas fokú bizonyosság, de nem garancia arra, hogy a Magyar Nemzeti Könyvvizsgálati Standardokkal és a könyvvizsgálatra vonatkozó -Magyarországon hatályos -törvényekkel és egyéb jogszabályokkal összhangban elvégzett könyvvizsgálat mindig feltárja az egyébként létező lényeges hibás állítást. A hibás állítások eredhetnek csalásból vagy hibából, és lényegesnek minősülnek, ha ésszerű lehet az a várakozás, hogy ezek önmagukban vagy együttesen befolyásolhatják a felhasználók adott összevont (konszolidált) éves beszámoló alapján meghozott gazdasági döntéseit.

Egy, a Magyar Nemzeti Könyvvizsgálati Standardokkal és a könyvvizsgálatra vonatkozó -Magyarországon hatályos -törvényekkel és egyéb jogszabályokkal összhangban elvégzésre kerülő könyvvizsgálatnak a részeként szakmai megítélést alkalmazunk, és szakmai szkepticizmust tartunk fenn a könyvvizsgálat egésze során. Emellett:

- ▶ Azonosítjuk és felbecsüljük az összevont (konszolidált) éves beszámoló akár csalásból, akár hibából eredő lényeges hibás állításainak kockázatait, az ezen kockázatok kezelésére alkalmas könyvvizsgálati eljárásokat alakítunk ki és *hajtunk végre, valamint véleményünk megalapozásához elegendő és megfelelő* könyvvizsgálati bizonyítékot szerzünk. A csalásból eredő lényeges hibás állítás fel nem tárásának kockázata nagyobb, mint a hibából eredőé, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását
- ▶ Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálati eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a Csoport belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.
- ▶ Értékeljük a vezetés által alkalmazott számviteli politika megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.



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- ▶ Következtetést vonunk le arról, hogy helyénvaló-e a vezetés részéről a vállalkozás folytatásának elvén alapuló számvitel alkalmazása, valamint a megszerzett könyvvizsgálati bizonyíték alapján arról, hogy fennáll-e lényeges bizonytalanság olyan eseményekkel vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel a Csoport vállalkozás folytatására való képességét illetően. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, független könyvvizsgálói jelentésünkben fel kell hívunk a figyelmet az összevont (konszolidált) éves beszámolóban lévő kapcsolódó közzétételekre, vagy ha a közzétételek e tekintetben nem megfelelőek, minősítenünk kell véleményünket. Következtetéseink a független könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálati bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban okozhatják azt, hogy a Csoport nem tudja a vállalkozást folytatni.
- ▶ Értékeljük az összevont (konszolidált) éves beszámoló átfogó prezentálását, felépítését és tartalmát, beleértve a kiegészítő mellékletben tett közzétételeket, valamint értékeljük azt is, hogy az összevont (konszolidált) éves beszámolóban teljesül-e az alapul szolgáló ügyletek és események valós bemutatása.
- ▶ Elegendő és megfelelő könyvvizsgálati bizonyítékot szerzünk a Csoport gazdasági egységei pénzügyi információira vonatkozóan ahhoz, hogy az összevont (konszolidált) éves beszámolóról véleményt fejezhessünk ki. Mi vagyunk a felelősek a csoport-könyvvizsgálat irányításáért, felügyeletéért és eredményéért. A könyvvizsgálói véleményünkért kizárólag a miénk marad a felelősség.

Kommunikáljuk az irányítással megbízott személyek felé - egyéb kérdések mellett - a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve a Csoport által alkalmazott belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is.

Budapest, 2020. október 22.

Varga János
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Nyilvántartásba-vételi szám: 001165

Varga János
Kamarai tag könyvvizsgáló
Kamarai tagsági szám: 007319

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Quotaholder of Celltrion Healthcare Hungary Kft.

Opinion

We have audited the accompanying 2019 consolidated annual financial statements of Celltrion Healthcare Hungary Kft. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 - showing a balance sheet total of EUR 598,683,442 and a total comprehensive income for the year of EUR 5,502,690 -, the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year then ended and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion the consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all materials respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated annual financial statements prepared in accordance with EU IFRSs .

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other matters

We draw the attention to the fact that the Company has failed to fulfil the relevant legal requirements and has not filed its consolidated annual financial statements by 30 September 2020.

Other information

Other information consists of the 2019 consolidated business report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated annual financial statements does not cover the consolidated business report.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Concerning the consolidated business report it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

In our opinion, the consolidated annual business report of the Group for 2019 is consistent, in all material respects, with the 2019 consolidated annual financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its business report, we do not express opinion in this regard.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management for the consolidated annual financial statements

Management is responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for consolidated annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the consolidated annual financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated *annual financial statements as a whole are free from material misstatement, whether due to fraud or error*, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



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- ▶ Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls of the Group that we identify during our audit.

Budapest, 22 October 2020

(The original Hungarian version has been signed.)

Varga János
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Varga János
Registered auditor
Chamber membership No.: 007319

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CELLTRION HEALTHCARE HUNGARY KFT. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019
(all figures in EUR unless indicated otherwise)

1. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| Consolidated Statement of Financial Position - Assets | | 31 December | 31 December |
|---|-------|--------------------|--------------------|
| (Euro) | Note | 2019 | 2018 |
| Current assets | | | |
| Cash and cash equivalents | 10 | 59,202,088 | 12,389,228 |
| Current financial assets | 13 | 313,333 | - |
| Trade receivables | 11 | 165,476,569 | 151,603,717 |
| Other receivables | 11 | 54,521,849 | 122,723 |
| Inventory | 12 | 307,781,243 | 233,145,738 |
| Current tax assets | 26 | 9,495 | 49,034 |
| Other current assets | 14 | 9,677,029 | 35,906,717 |
| Total current assets | | 596,981,606 | 433,217,157 |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 52,696 | 34,674 |
| Intangible assets | 15 | 127,006 | 102,090 |
| Right of use assets | 16 | 223,269 | - |
| Non-current financial assets | 13 | 1,199,470 | - |
| Other non-current asset | 14 | 99,395 | 26,447 |
| Total non-current assets | | 1,701,836 | 163,211 |
| TOTAL ASSETS | | 598,683,442 | 433,380,368 |
| Liabilities | | | |
| (Euro) | Note | 31 December | 31 December |
| | | 2019 | 2018 |
| Short-term liabilities | | | |
| Trade payables | 17 | 430,598,528 | 388,734,690 |
| Other payables | 17 | 22,279,877 | 1,756,303 |
| Short-term financial liabilities | 18 | 80,090,720 | - |
| Accrued expenses | 19 | 1,487,034 | 412,499 |
| Current tax liabilities | 26 | 225,530 | 39,548 |
| Other short-term liabilities | 19 | 45,112,035 | 29,186,608 |
| Total short-term liabilities | | 579,793,724 | 420,129,648 |
| Long-term liabilities | | | |
| Long-term financial liabilities | 18 | 136,308 | - |
| Total non-current liabilities | | 136,308 | - |
| Total liabilities | | 579,930,032 | 420,129,648 |
| Equity | | | |
| | 3, 20 | | |
| Share capital | | 9,514 | 9,514 |
| Capital reserve | | 13 | 13 |
| Accumulated other comprehensive income | | 13,634 | (20) |
| Retained earnings | | 13,241,213 | 5,040,225 |
| Profit for the year | | 5,489,036 | 8,200,988 |
| Total equity | | 18,753,410 | 13,250,720 |
| TOTAL LIABILITIES AND EQUITY | | 598,683,442 | 433,380,368 |

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2. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Consolidated Statements of Comprehensive Income | Note | 01.01.2019.- 31.12.2019. | 01.01.2018.- 31.12.2018 |
|---|------|-----------------------------|----------------------------|
| (Euro) | | | |
| Revenue | 21 | 414,911,681 | 305,523,444 |
| Cost of sales | 22 | 387,406,163 | 286,561,684 |
| Gross profit | | 27,505,518 | 18,961,760 |
| Selling and administrative expenses | 23 | 19,131,718 | 9,346,584 |
| Operating profit | | 8,373,800 | 9,615,176 |
| Finance income | 24 | 51,323 | 4,016 |
| Finance costs | 24 | 1,750,832 | 138,273 |
| Other non-operating income | 25 | 207,799 | 107,145 |
| Other non-operating expenses | 25 | 103,895 | 116,044 |
| Profit before tax | | 6,778,195 | 9,472,020 |
| Income tax expense | 26 | 1,289,159 | 1,271,032 |
| Profit for the year | | 5,489,036 | 8,200,988 |
| Other comprehensive income | | 13,654 | (20) |
| Other comprehensive income to be reclassified to profit or loss | | 13,654 | (20) |
| Other comprehensive income not to be reclassified to profit or loss | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 5,502,690 | 8,200,968 |

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3. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| (Euro) | Note | Share capital | Capital reserve | Retained earnings | Accumulated other comprehensive income | Total equity |
|--|------|---------------|-----------------|-------------------|--|--------------|
| As at 1 January 2018 | 20 | 9,514 | 13 | 5,040,225 | - | 5,049,752 |
| Profit for the year | | - | - | 8,200,988 | - | 8,200,988 |
| Other comprehensive income | | - | - | - | (20) | (20) |
| Total comprehensive income | | - | - | 8,200,988 | (20) | 8,200,968 |
| Dividend | | - | - | - | - | - |
| Transactions with equity holders of the Company | | - | - | - | - | - |
| As at 31 December 2018 | 20 | 9,514 | 13 | 13,241,213 | -20 | 13,250,720 |
| Profit for the year | | - | - | 5,489,036 | - | 5,489,036 |
| Other comprehensive income | | - | - | - | 13,654 | 13,654 |
| Total comprehensive income | | - | - | 5,489,036 | 13,654 | 5,502,690 |
| Dividend | | - | - | - | - | - |
| Transactions with equity holders of the Company | | - | - | - | - | - |
| As at 31 December 2019 | 20 | 9,514 | 13 | 18,730,249 | 13,634 | 18,753,410 |

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4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| Statements of cash flows | Note | 2019.01.01.- 2019.12.31. | 2018.01.01.- 2018.12.31. |
|--|--------|-----------------------------|-----------------------------|
| (Euro) | | | |
| OPERATING ACTIVITIES | | | |
| Profit for the year | | 5,489,036 | 8,200,988 |
| Non-cash adjustments | | 3,132,647 | 1,447,490 |
| Gain on foreign currency translation | 24, 25 | (16,554) | (6,549) |
| Loss on foreign currency translation | 24, 25 | 142,427 | 75,733 |
| Depreciation and amortisation | 23 | 79,818 | 5,205 |
| Losses on disposal of account receivables | 24 | 52,513 | 53,449 |
| Interest income | 24 | (1,254) | - |
| Interest expense | 24 | 1,586,538 | 48,620 |
| Income tax expense | 26 | 1,289,159 | 1,271,032 |
| Change in assets/liabilities | | (38,039,058) | (11,337,732) |
| Change in trade receivables | | (14,003,206) | (123,707,455) |
| Change in other receivables | | (54,367,463) | 29,658,862 |
| Change in inventories | | (74,635,506) | (206,557,975) |
| Change in other current assets | | 26,225,702 | (14,321,962) |
| Change in trade payables | | 41,863,838 | 299,741,025 |
| Change in provisions | | - | - |
| Change in other payables | | 20,513,105 | 819,019 |
| Change in other liabilities | | 16,364,472 | 3,030,754 |
| Interest received | | 1,254 | - |
| Interest paid | | (920,000) | (48,620) |
| Dividends received | | - | - |
| Income tax paid | | (1,072,003) | (283,145) |
| I. Net cash flows from operating activities | | (31,408,124) | (2,021,019) |
| INVESTING ACTIVITIES | | | |
| Increase in deposit | | (1,318,200) | (27,980) |
| Decrease in deposit | | 457 | 15,350 |
| Increase in other current financial assets | | (313,333) | - |
| Proceeds from disposal of investment in associates | 5 | - | 174,013 |
| Acquisition of subsidiaries | 5 | - | (100,100) |
| Acquisition of property, plant and equipment | 15 | (28,318) | (35,137) |
| Acquisition of intangible assets | 15 | (24,916) | (82,090) |
| II. Net cash flows from investing activities | | (1,684,310) | (55,944) |
| FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | | 80,000,000 | - |
| Decrease in short-term lease liabilities | | (74,879) | - |
| III. Net cash flows from financing activities | | 79,925,121 | - |
| Exchange difference on cash and cash equivalents | | (19,827) | (9,180) |
| IV. Change in cash and cash equivalents | | 46,812,860 | (2,086,143) |
| Cash and cash equivalents at 1 January | 10 | 12,389,228 | 14,475,371 |
| Cash and cash equivalents at 31 December | 10 | 59,202,088 | 12,389,228 |

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5. GENERAL INFORMATION

Celltrion Healthcare Hungary Kft.'s ("the Company"), registered office from 1st January 2018 is 1062 Budapest, WestEnd Office building B torony, Váci út 1-3. The Company was incorporated on 6th April 2010, its main activity is the wholesale of pharmaceutical goods. The Company has business premises at 2040 Budaörs, Vasút utca 13. since 26th June 2017. Furthermore, the address of the Company's Dutch branch office also changed in 2017 to NL-1077 Amsterdam, Strawinskylaan 1447.

The Company's statistical code is: 22671224-4646-113-01

The Company's registration number is: 01-09-938326

The Company purchases products based on the „Master Product Supply Agreement” that was set between the Company and Celltrion Healthcare Co., Ltd. and sells it to distributors based on wholesale agreements in EU countries.

Principal activity:

4646 '08 Wholesale of pharmaceutical preparations

Other activities:

2120 '08 Manufacture of pharmaceutical products

4773 '08 Dispensing chemist in specialised stores

4774 '08 Retail sale of medical goods in specialised stores

5229 '08 Other transportation support activities

The Group's financial year is the calendar year.

Average employee headcount in 2019: 29 persons, in 2018: 10 persons.

Authorised signatory of the Group, and also the signatory of the consolidated financial statements:

Hangi Lee, Managing Director

Address: Korea Incheon, Punglim i-want Apt. 112-402, 6, Sinsong-ro 118beon-gil, Yeonsu-gu

Based on Section 155. § of the Accounting Act, the Company's annual consolidated financial statements are subjects to audit. The Company's auditor is: Ernst & Young Könyvvizsgáló Kft., 1132 Budapest, Váci út 20., Registration number: 001165. The annual audit fee is: 13,000 EUR.

The person responsible for the audit is:

János Varga

Registration number: 007319

The person responsible for the preparation of the annual consolidated financial statements and registered for IFRS specialisation:

Krisztina Mess

Registration number: 199564

The present consolidated financial statements, and the Company's standalone financial statements are both disclosed.

No dividend payment was approved from the profit for the year.

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Ownership structure of the Company

The Company's sole owner (100% share) is Celltrion Healthcare Co., Ltd. (address: Korea - 22014 19, Academy-ro 51 beon-gil, Yeonsu-gu, Incheon, South Korea).

Consolidated subsidiaries

| Company name | Place of register | Main activity | Date of acquisition | Ownership (%) | | Voting rights (%) | |
|---|-------------------|-------------------------------|---------------------|---------------|------|-------------------|------|
| | | | | 2019 | 2018 | 2019 | 2018 |
| Celltrion Healthcare United Kingdom Limited | United Kingdom | Wholesaler of pharmaceuticals | 19/11/2018 | 100% | 100% | 100% | 100% |
| Celltrion Healthcare Ireland Limited | Ireland | Wholesaler of pharmaceuticals | 23/11/2018 | 100% | 100% | 100% | 100% |
| Celltrion Healthcare Denmark ApS | Denmark | Wholesaler of pharmaceuticals | 27/11/2018 | 100% | 100% | 100% | 100% |
| Celltrion Healthcare Austria GmbH | Austria | Wholesaler of pharmaceuticals | 21/12/2018 | 100% | 100% | 100% | 100% |
| Celltrion Healthcare Deutschland GmbH | Germany | Wholesaler of pharmaceuticals | 07/01/2019 | 100% | N/A | 100% | N/A |
| Celltrion Healthcare Italy S.r.l | Italy | Wholesaler of pharmaceuticals | 08/01/2019 | 100% | N/A | 100% | N/A |
| Celltrion Healthcare Belgium Sprl. | Belgium | Wholesaler of pharmaceuticals | 15/01/2019 | 100% | N/A | 100% | N/A |
| Celltrion Healthcare Norway AS | Norway | Wholesaler of pharmaceuticals | 04/03/2019 | 100% | N/A | 100% | N/A |
| Celltrion Healthcare France SAS | France | Wholesaler of pharmaceuticals | 01/04/2019 | 100% | N/A | 100% | N/A |
| Celltrion Healthcare Finland Oy | Finland | Wholesaler of pharmaceuticals | 28/05/2019 | 100% | N/A | 100% | N/A |

There are no subsidiaries with non-controlling interests that are significant to the Group as of 31 December 2019 and 2018.

Changes in the Group during 2019:

- Six new Companies were established during 2019 by Celltrion Healthcare Hungary Kft as 100% owner.

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6. BASIS OF CONSOLIDATION

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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7. ACCOUNTING POLICY

New and amended standards from 1st January 2019

New standards applied by the Group, effective for annual periods beginning on or after 1 January 2019:

IFRS 16: Leases

(issued in January 2016; effective for annual periods beginning on or after 1 January 2019 by the IASB. EU adopted the standard). The new standard regulates the recognition, measurement, presentation and related disclosures of leases. For each lease, the lessee acquires the right to use the asset and, if the consideration is settled later, a liability arises. Accordingly, IFRS 16 removes the distinction between operating and finance leases required by IAS 17 and requires a uniform model for the lessee. The lessee shall present all leases (not small value) exceeding 12 months as an asset and a liability in the balance sheet and shall present separately the depreciation of the asset and the interest expense on the liability in the income statement. The accounting for lessors under IFRS 16 is substantially the same as in IAS 17. Accordingly, the lessor continues to distinguish between operating and finance leases and must account for their effects differently.

As of 1 January 2019, the Group applied IFRS 16: Lease standard. The new standard was applied retrospectively, and the cumulative effect of the first application of the new standard was reflected on 1 January 2019, the first application date. The comparative financial statements have not been restated. Under the application of IFRS 16, the Group recognized right-of-use assets and lease liabilities, and these liabilities were discounted at the incremental borrowing rate of the lessee on 1 January 2019, and measured at the present value of the lease payments. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The Group presents the effects of the first application of IFRS 16 in Notes 16 and 18.

The following standards or amendments to standards effective on 1 January 2019 will not have a significant impact on the Group:

IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments (issued in June 2017, effective for annual periods beginning on or after 1 January 2019, the EU has accepted the amendment).

IFRS 9: Prepayment features with negative compensation (Amendment) (issued on 12 October 2017, effective for annual periods beginning on or after 1 January 2019, the EU has accepted the amendment).

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments) (issued on 12 October 2017, the EU adopted the amendment on 11 February 2019).

Improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017, EU adopted amendments).

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments) (issued on 7 February 2018, effective for annual periods beginning on or after 1 January 2019, amended by the EU on 13 March 2019).

Standards issued but not yet effective and not early adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2020, and the Group has not early adopted them.

IFRS 14: Accruals for Regulated Activities (issued in January 2014, as decided by the European Commission, the transitional standard will not be adopted and is awaiting the final standard).

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB. Adoption of this standard in the EU has been deferred).

IFRS 17: Insurance Contracts (issued in May 2017, the EU has not yet adopted the new standard).

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Amendment to the Conceptual Framework for Financial Reporting (issued on 29 March 2018, effective for annual periods beginning on or after 1 January 2020). years, the EU has not yet adopted the amendments).

Amendment to IFRS 3: Definition of Business (issued on 22 October 2018, effective for acquisitions beginning on or after 1 January 2020, the EU has not yet adopted the amendments).

Amendments to IAS 1 and IAS 8: The Concept of Materiality (issued: 31 October 2018, effective for annual periods beginning on or after 1 January 2020, the EU has not yet adopted the amendments).

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform (issued: 26 September 2019, effective for annual periods beginning on or after 1 January 2020, the EU has already adopted the amendments).

Amendment to IAS 1: Classification of Current and Non-Current Liabilities (issued on 23 January 2020, effective for annual periods beginning on or after 1 January 2022, the EU has not yet adopted the amendments).

No further new / amended standards or interpretations are expected to have a material impact on the Group's financial statements.

Significant accounting policies

Financial instruments

Cash and cash equivalents

The cash and cash equivalents comprise cash, deposits held in banks and short-term investments with maturity within three months from the acquisition date and which are used for the settlement of short-term liabilities and which pose no significant fair value risk.

Financial assets

The Group classifies its financial assets in the following categories:

- assets measured at amortised cost;
- assets measured at fair value through profit and loss

The Group does not have any financial assets measured at fair value through other comprehensive income. Investments in equity instruments are measured at fair value through profit and loss with a possibility at initial recognition to make an election to present the fair value changes in other comprehensive income instead of profit or loss. This election is optional and irrevocable for each instrument.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In case of assets measured at amortised cost, the Group recognizes related transaction costs, fees, commissions as part of the cost and takes these into account in the effective interest rate calculation. Transaction costs are directly attributable costs that relate to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs include fees and commissions paid to agents (including sales agents), advisors, brokers, and traders, fees charged by regulatory authorities and stock exchanges, taxes and duties on transfer.

The Group accounts for interest and the amortisation based on the effective interest rate method. Assets measured at amortised cost are presented as current assets, except for assets with contractual maturities due over 12 months after the balance sheet date.

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Impairment of financial assets

To determine the impairment of a financial asset the Group uses one of the following methods:

- expected credit loss over the next 12 months; or
- expected credit loss over the life of the asset

If the credit risk of the asset increased significantly since the initial recognition an entity shall measure the lifetime expected credit loss for the assets, in other cases the 12-month expected credit loss is applied.

The Company applies the practical expedient allowed by IFRS 9 and measures expected credit loss for receivables under the scope of IFRS 15 based on the lifetime expected credit loss method.

Trade receivables

Trade receivables are recognised at transaction value at initial recognition and measured at amortised cost subsequently using the effective interest rate method. If the credit term is less than one year than the transaction value at initial recognition and the subsequent amortised cost is equal to the nominal value of the receivable. The Group uses a simplified approach to measure expected credit loss on its trade receivables and recognizes lifetime expected credit losses.

Impairment of trade receivables

The Group uses the simplified approach permitted by IFRS 9 to measure its receivables that fall under the scope of IFRS 15 based on the lifetime expected credit loss model with the help of a provision matrix. Impairment has to be accounted for when the Group identifies an indicator of an expected credit loss and the possibility that the Group will not be able to collect the whole amount of the original transaction price. Bankruptcy, the debtor's insolvency, disappearance, overdue payment, significant change in country risk of the debtor, significant change in the debtor's credit rating are the most common impairment indicators. The amount of the impairment is the difference between the carrying amount of the receivable and the discounted present value of expected future cash inflows, discounted by the original effective interest rate. The Group evaluates guarantees that can be used for the settlement of receivables when determining the amount of the impairment. The Group also considers the economical and political risks and the changes in the debtor's solvency position. Impairment is presented under Selling and administrative expenses.

Inventories

The purchased inventories are recognised at their purchase price. The cost of inventories is measured using the monthly weighted average cost formula. The Group does not have self-manufactured inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. If the net realisable value of the inventory is lower than its cost then the Group writes-down the inventory to its net realisable value. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Tangible assets

The Group applies the cost model for measurement of property, plant and equipment. After initial recognition, an item of property, plant and equipment shall be carried at its cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of PPE comprises its purchase price, including non-refundable purchase taxes, any directly attributable cost of preparing the asset for its intended use, including taxes, duties, and borrowing costs. The amount of renovation costs capitalized are recognised as a separate component of the asset.

The depreciation of property, plant and equipment begins the day after it is available for use. The depreciation of property, plant and equipment is accounted for based on the straight-line method considering the estimated useful life and residual value of the asset. Each separate component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. If the useful lives of the components of a particular property, plant and equipment are the same the components can be grouped and their depreciation can be accounted for collectively. In case a component is replaced the carrying amount of the old component is derecognized, while the new component is recognized.

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The Group determines the residual value based on the information available at the date the asset becomes available for its intended use considering its useful life, as the expected net realisable value at the end of the useful life.

Based on their useful life, the following depreciation rates are determined for the below asset categories:

- Other equipment: 5-7 years

The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates

Intangible assets

The Group applies the cost model for measurement of intangible assets. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation. The cost of an intangible asset purchased comprises its purchase price including any non-refundable VAT, any directly attributable cost of preparing the asset for its intended use including taxes and duties.

Based on their useful life, the following depreciation rates are determined for the below asset categories:

- Purchased softwares: 5 years

The amortization is accounted for until the asset is amortized to its residual value. The residual value of an intangible asset is zero if no active market exists for the asset and there is no commitment by a third party to purchase the asset at the end of its useful life.

The impairment of non-financial assets

If there is an indication that the recoverable amount of an asset (intangible or tangible asset) is lower than its carrying amount, the asset has to be impaired to its recoverable amount. Irrespective of whether there is any indication of impairment the Group shall also carry out impairment test annually for intangible assets with indefinite useful life or intangible assets that are not in use by comparing its carrying amount with its recoverable amount.

Indicators for impairment:

- evidence for obsolescence or physical damage of an asset.
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

For impairment testing purposes, assets are aggregated into the smallest Group of assets that generate cash inflows from continuous use that are largely independent of cash inflows from other assets or Group of assets ('cash-generating units' or 'CGUs'). CGUs are defined according to the nature of the Group's operations, according to product lines, geographical areas, distribution networks or subsidiaries.

In case of CGUs the recoverable amount is the higher of the value in use and the fair value less costs to sell. The value in use is equal to the discounted present value of future cash flows. The WACC is used as the discount rate. Impairment charges and reversals are recognised as other operating income and expenses.

Trade payables and other (short-term and long-term) liabilities

Trade payables are recognised at fair value at initial recognition and measured at amortised costs subsequently based on the effective interest rate method. If the credit term is less than one year then the fair value at initial recognition and the subsequent amortised cost is equal to the nominal value of the trade payables.

The other liabilities comprise:

- Liability based on an irrevocable commitment for the transfer of cash
- Other liabilities towards employees, directors and statutory auditors
- Other payables to third parties,
- Tax payables, except for income tax

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Leases

Until the fiscal year 2018, leases of tangible assets were classified as financial leases or operating leases. Lease payments under operating leases (net amount excluding incentives received from the lessor) are recognized on a straight-line basis in profit or loss over a lease term. Effective for 1 January 2019, the Group recognizes right-of-use assets and corresponding liabilities on the lease commencement date when the leased assets can be used.

The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable
- Variable lease payments that vary depending on the index or rate (interest rate), first measured using the index or rate as of the commencement date
- The amounts expected to be paid by the Group (as lessee) under residual value guarantees
- The exercise price of a purchase option reasonably certain to be exercised by the Group (lessee)
- Payments of penalties for terminating the lease, if the lease term reflects the Group (lessee) exercising the option to terminate

In addition, the measurement of lease liabilities includes lease payments to be paid under a reasonably certain extension option.

If the Group can readily determine the interest rate implicit in the lease, it discounts lease payment by interest rate. If the Group cannot readily determine the interest rate implicit in the lease, the incremental borrowing rate, the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, is used.

Each lease payment is distributed by repayment of lease liabilities and financial cost. Financial cost is recognized in profit or loss over the lease period in the amount calculated to yield a constant periodic interest rate on the remaining lease liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost consisting of:

- Initially measured amount of lease liabilities
- Lease payments paid before or after the lease commencement date minus the lease incentive received
- Initial direct costs for lease obligated to the lessee
- Estimated recovery cost

Right-of-use assets are depreciated over the period from commencement date to the earlier of the termination of useful life and the end of lease term. If the Group is reasonably certain that it will exercise its options to buy, the right-of-use asset is depreciated over the useful life of the underlying asset. The Group did not select the revaluation model for buildings that are right-of-use assets.

Lease payments on short-term leases and leases of low-value assets such as equipment and vehicles are recognised as expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of less than 12 months, and low-value asset leases consist of laptops and other equipment.

Provisions

Provision shall be recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision is used only for expenditures for which the provision was originally recognized.

Provisions are mainly recognised for the following items:

- Payments to employees (bonus, premium, termination benefits),
- Costs of restructuring, termination of a branch or an activity,
- Litigations in progress,
- Onerous contracts.

Equity

Equity comprise the following components:

- Share capital
- Capital reserve
- Retained earnings
- Accumulated other comprehensive income

Share capital is the sum of the face value of the issued equity instruments; any amount subscribed by the owners in accordance with relevant regulations.

The capital reserve comprises other items that cannot be classified to the other equity components. The capital reserve may include for example cash or assets received from owners of the Group received for no consideration.

Retained earnings comprise:

- Profit or loss of the current and previous financial years
- Any reclassifications between the retained earnings and other equity components;
- Impact of retrospective application of changes in accounting policies, except when the standard or interpretation prescribe the accounting for the impact of these changes as a correction of other capital elements.
- Impact of retrospective restatements of errors relating to prior periods except when the standard or an interpretation prescribe the accounting for the impact of these errors as a correction of other capital elements.
- Profits and losses that shall be recognized directly in retained earnings.

Foreign exchange transactions

Functional and presentation currency

The Group prepares its consolidated financial statements in the currency of the primary economic environment in which the entity operates (the functional currency). Based on the nature of economic events and circumstances, the functional currency of the Group is the euro.

Transactions and balances

Foreign currency transactions are translated at the exchange rate at the date of transaction to the functional currency. The resulting foreign exchange gains and losses from the settlement of such transactions and the revaluation of financial assets and liabilities denominated in foreign currencies are recognized in the total comprehensive income (finance income or finance costs).

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Revenue from Contracts with Customers

The Group provides exclusive distribution rights to wholesalers– in relation to several European countries- for the promotion, distribution and sale of pharmaceutical products. Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer.

(1) Providing goods or services

The five-step approach (1) identifying the contract, 2) identifying performance obligations, 3) determining the transaction price, 4) allocating the transaction price to performance obligations, and 5) satisfaction of performance obligations) is applied for the Group to recognize revenue under IFRS 15.

The Group adjusts the amount of consideration for discount, rebate, incentive, price settlements, and so forth in revenue which are incurred in relation to sales of goods. The Group estimates these revenue adjustments reasonably and recognizes contract assets or contract liabilities as the estimated values received from or to be paid to the customer.

(2) Significant judgments related to revenue recognition

The Group recognizes revenue when it determines that it will transfer control to the customer upon delivery of the goods to the customer. In addition, the Group estimates sales adjustments based on accumulated experience on the amount of sales adjustments that occur due to volatility in trading value related to sale discounts, rebates, incentives and price settlements related to the sale of goods. Revenue is recognized in an amount that is highly unlikely to be significantly reduced.

(3) Grant of exclusive right to sell and distribute products

The agreement on the grant of the right to sell products is not distinguished from the sale of the goods and is considered to be a single performance obligation. Accordingly, the Group recognizes revenue by reasonably deferring the revenue from the period when the revenue recognition requirement is satisfied.

(4) Significant financing component

When determining the transaction price, financing components occur when the Group transfer goods or services to a customer because of the agreed time of payment between the parties of the contract. If the financing component is significant to the customer or the Group, the amount of revenue is adjusted to reflect the impact of the time value of money.

Variable consideration considered in revenue

The transaction price includes two types of variable consideration for the Group's contracts, which are:

- the final selling price will vary depending on the sales price used of the distributors;
- reimbursement, under certain conditions, of stocks previously transferred to distributors, at the expense of the Group.

The Group estimates variable consideration based on historical, Group and industry data based on the most likely amount outcome method. When assessing whether the consideration is likely to be collected, the Group also considers whether the distributor is able and willing to pay the consideration at the due date. The Group might provide discounts to distributors therefore the amount of consideration for which the entity is eligible might be lower than the contracted price. The Group recognizes a refund liability if consideration is received that the Group expects that it will have to refund either partially or in full. The refund liability is measured at the amount of the consideration received (or claimed) for which the Group expects not to be entitled (i.e. the amount is not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) shall be updated at the end of each reporting period for changes in circumstances. Estimates are calculated based on usable and reasonable information received from the Customers until the preparation of Financial Statements.

Cost of sales

Costs of sales include the cost of manufacturing finished goods and services rendered and the cost of goods sold.

Selling and administrative expenses

Selling and administrative expenses comprise other costs relating to sales (other than cost of sales), such as labour cost and other employee benefits, depreciation of assets, administrative costs and rental fees.

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Other operating income and expenses

Other income and expenses comprise operating incomes and expenses that are not categorised into the previous categories, gains and losses on disposals of fixed assets and impairment charges and reversals on non-financial assets.

Finance income and finance costs

Finance income and finance costs comprise gains and losses on financial operation, interests received and paid, realized and non-realized exchange rate differences, other incomes and expenses related to financial instruments.

Finance income comprises interest income on funds invested, dividend income, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and changes in the fair value of financial assets at fair value through profit or loss. Interest expenses on borrowings are recognized in profit or loss using the effective interest method.

Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

The basis of the corporate income tax is determined based on the realized profit or loss in accordance with the regulations of each countries' Tax legislations, including the effect of any prior year adjustments.

For the purposes of these requirements corporate income tax is an outflow of resources that embodies economic benefits that the State exposes to entities in accordance with legislation (laws and / or regulations), except for:

- outflows of economic benefits (such as income taxes within the scope of IAS 12 Income Taxes) that are within the scope of other standards; furthermore
- fines or other penalties for non-compliance with laws and regulations.

The "State" phrase refers to states, government agencies and other similar local, national or international bodies.

The tax payment obligation is recognized incrementally over time, if the event that drives the obligation happens over time (meaning the payment obligation based on the legislation arises over time). For example, if the obligation is related to the continuous realisation of revenue the related obligation is to be recognized in line with revenue.

Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

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Income tax applicable to dividend payments is recognized when the dividend payable is recognized.

Dividends

Dividends paid to owners are recognised by the Group as a liability against equity during the period in which the owners have approved it. The dividend income is recognised when it is probable that the economic benefits relating to the transaction will flow in to the entity and the amount can be measured reliably. Dividends are recognized when the owners' right to payment is established. The right to dividend does not exist until the members' meeting approves the dividend payment. The Group recognizes the dividends paid as advances as receivables against the cash payments to the owners.

8. RISK MANAGEMENT

The Group is exposed to financial risks such as market risks (especially foreign currency and price risk), liquidity and credit risk. The overall risk management function of the Group focuses on the unpredictability of the financial markets and tries to minimize potential negative effects on the Group's operation.

Financial risk management

Overall financial risk management of the Group focuses on the unpredictability of financial markets and places emphasis on minimizing potentially unfavorable effects on the Group's financial performance.

The Group's head of finance department has overall responsibility for the establishment and operation of the Group's risk management framework. According to the financial risk management policies and procedures, which is approved by the Management, the head of finance department monitors financial risk and reports the nature of the financial risk and its exposure to management.

The Group's risk management policies are established to identify and analyze the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Management monitors compliance with the Group's risk management policies and procedures, and undertakes a post-evaluation on the effectiveness of the risk management framework.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has deposited its cash and cash equivalents in several financial institutions such as Korea Development Bank Europe, Citibank Europe, BNP Paribas Hungary, Shinhan Bank Europe.

The Group maintains business relationship with those financial institutions with high credit ratings evaluated by independent credit rating institutions and accordingly, credit risks associated with these financial institutions are limited to minimal level. Customers with high credit that are expected to have stable and long-term relationship are selected and entered into exclusive distribution rights. The Group evaluates the credit of customers based on the analysis of past experience and the financial position of the customers when credit rating given by independent rating agencies is not available. Individual credit limit for customers is determined by the Group's own analysis of the credit risk or the external ratings. The use of credit limits is periodically reviewed. Sales occur in cash or by Letter of Credit.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group limits its exposure to credit risk by depositing cash and cash equivalents in financial institutions that have a high credit rating.

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The maximum exposure to credit risk as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------------------------|--------------------|--------------------|
| Cash and cash equivalents | 59,202,088 | 12,389,228 |
| Current financial assets | 313,333 | - |
| Trade receivables | 165,476,569 | 151,603,717 |
| Other receivables | 54,521,849 | 122,723 |
| Non-current financial assets | 1,199,470 | - |
| The maximum credit exposure | 280,713,309 | 164,115,668 |

Financial assets at amortized cost that are past due but not impaired as of 31 December 2019 and 31 December 2018 are summarized as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------------|------------------|------------------|
| Due within 0-30 days | 6,567,138 | 626,555 |
| Due within 90-120 days | 1,110,000 | - |
| Total | 7,677,138 | 626,555 |

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's head of finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

The following are the contractual maturities of non-derivative financial liabilities as of 31 December 2019:

| | Under 6 months | 6 months to 1 year | 1 year to 5 years | Total |
|-----------------------------------|--------------------|--------------------|-------------------|--------------------|
| Trade payables | 367,550,410 | 63,048,118 | - | 430,598,528 |
| Other payables | 22,279,877 | - | - | 22,279,877 |
| Current financial liabilities | 46,775 | 80,043,945 | - | 80,090,720 |
| Other financial liabilities | - | 49,096 | - | 49,096 |
| Non-current financial liabilities | - | - | 136,308 | 136,308 |
| Total | 389,877,062 | 143,141,159 | 136,308 | 533,154,529 |

The following are the contractual maturities of non-derivative financial liabilities as of 31 December 2018:

| | Under 6 months | 6 months to 1 year | 1 year to 5 years | Total |
|-----------------------------|--------------------|--------------------|-------------------|--------------------|
| Trade payables | 224,360,684 | 164,374,006 | - | 388,734,690 |
| Other payables | 1,756,303 | - | - | 1,756,303 |
| Other financial liabilities | - | 49,096 | - | 49,096 |
| Total | 226,116,987 | 164,423,102 | - | 390,540,089 |

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Market risk

Market risk is the risk that changes in market prices, as an entrepreneur with the distribution right in EU market, the Group bears the major market and business risks associated with sales of the products into EU market simply due to the fact that the characteristic of the product is often seen as a substitute product for the original product. The tight competition from the original product makers is foreseen upcoming years to minimize the loss of their market position from the biosimilar makers. However, the price is more and more becoming the key factor throughout EU countries and the promotion of the biosimilar product by the government level which hopes to result in budget decrease for their healthcare policy will bring the improvement in biosimilar sector. The impact due to new comer was immaterial because the Group has already enough clinical data to give safety to the final consumers and have same price competitiveness with new comer.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's management examines the capital structure regularly and maintains an optimal capital structure through short-term or long-term borrowings, capital increase with consideration, etc. The Group monitors the debt-to-equity ratio. The Group takes an effort to maintain a reasonable level. If this ratio is judged to be high, the Group consider several solutions. As of 31 December 2019, although this ratio is so high, since the Group judges this capital risk is not high.

Foreign currency risk

The Group manages foreign exchange risk in advance to minimize currency risk. Basic strategy for foreign exchange management is to reduce volatility of gain (loss). Since the Group's most of sales transactions are occurred by euro, foreign currency risk burden by the Group is not big. About other foreign currency transactions, the finance departments manage and control the collection of receivables and the payment of payables.

| Currency | 31 December 2019 | | 31 December 2018 | |
|--------------|-------------------|----------------|------------------|----------------|
| | Assests | Liabilities | Assests | Liabilities |
| USD | 11,837,300 | 482,937 | 2,961,967 | 280,232 |
| GBP | - | 18,774 | - | 117,322 |
| SEK | - | 9,564 | - | 9,754 |
| HUF | 36,838 | 41,321 | 723,147 | 300,583 |
| DKK | - | - | 6,695 | - |
| Total | 11,874,138 | 552,596 | 3,691,809 | 707,891 |

The Group does not have significant foreign exchange rate risk in the annual business. In view of the low level of foreign currency risk exposure, the Group did not consider it necessary to present the sensitivity analysis.

Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense. In order to minimize interest rate risk, the Group maximizes internal financing within the Group, reduces high interest-rate debt financing, and improves financial structure through the balance of short- and long-term borrowings. In addition, the Group periodically monitors trends in interest rates, and prepares countermeasures to address the interest rate risk.

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Nominal amount of interest-bearing financial assets and liabilities as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------------|-------------------|------------------|
| Fixed interest rate | | |
| Financial assets | - | - |
| Financial liabilities | - | - |
| Total | - | - |
| Floating interest rate | | |
| Financial assets | - | - |
| Financial liabilities | 80,000,000 | - |
| Total | 80,000,000 | - |

Reasonably possible interest rate changes of 10 basis, holding other assumptions constant, would have effected profit or loss after tax by the amounts shown below.

This fluctuation, used as a sensitivity ratio internally reported to key management for the period.

| | 2019 | | 2018 | |
|---|---------------|---------------|---------------|---------------|
| | 10bp Increase | 10bp Decrease | 10bp Increase | 10bp Decrease |
| Profit (loss) after income tax expense | (72,800) | 72,800 | - | - |

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amount and fair value of financial instruments as of 31 December 2019 and 31 December 2018 are as follows:

| | Carrying amount | Carrying amount | Fair value | Fair value |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Cash and cash equivalents | 59,202,088 | 12,389,228 | 59,202,088 | 12,389,228 |
| Current financial assets | 313,333 | - | 313,333 | - |
| Trade receivables | 165,476,569 | 151,603,717 | 165,476,569 | 151,603,717 |
| Other receivables | 54,521,849 | 122,723 | 54,521,849 | 122,723 |
| Non-current financial assets | 1,199,470 | - | 1,199,470 | - |
| Total financial assets | 280,713,309 | 164,115,668 | 280,713,309 | 164,115,668 |
| | | | | |
| | Carrying amount | Carrying amount | Fair value | Fair value |
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Trade payables | 430,598,528 | 388,734,690 | 430,598,528 | 388,734,690 |
| Other payables | 22,279,877 | 1,756,303 | 22,279,877 | 1,756,303 |
| Current financial liabilities | 80,090,720 | - | 80,090,720 | - |
| Other financial liabilities | 49,096 | 49,096 | 49,096 | 49,096 |
| Non-current financial liabilities | 136,308 | - | 136,308 | - |
| Total financial liabilities | 533,154,529 | 390,540,089 | 533,154,529 | 390,540,089 |

The current receivables and payables are instruments with a maturity of less than 1 year and are expected to be realised in the short term, so their carrying amount equals to their fair value.

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10. CASH AND CASH EQUIVALENTS

The Cash and cash equivalents as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|-------------------|-------------------|
| Cash at banks in functional currency | 54,402,622 | 8,746,454 |
| Cash at banks in other than functional currency | 4,799,466 | 3,642,774 |
| Total | 59,202,088 | 12,389,228 |

The Group does not have any non-liquid cash or cash equivalents as at 31 December 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES

The Trade and other receivables as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|-------------------|--------------------|--------------------|
| Trade receivables | 165,476,569 | 151,603,717 |
| Other receivables | 54,521,849 | 122,723 |
| Total | 219,998,418 | 151,726,440 |

The average turnover in days relating of trade receivables:

| | 2019 | 2018 |
|------|------|------|
| Days | 139 | 107 |

Aging analysis of trade and other receivables as of 31 December 2019 and 2018:

| | 31 December 2019 | | | 31 December 2018 | | |
|------------------------|--------------------|------------|--------------------|--------------------|------------|--------------------|
| | Transaction price | Impairment | Carrying amount | Transaction price | Impairment | Carrying amount |
| Not past due | 212,321,280 | - | 212,321,280 | 151,099,885 | - | 151,099,885 |
| Due within 0-30 days | 6,567,138 | - | 6,567,138 | 626,555 | - | 626,555 |
| Due within 90-120 days | 1,110,000 | - | 1,110,000 | - | - | - |
| Total | 219,998,418 | - | 219,998,418 | 151,726,440 | - | 151,726,440 |

12. INVENTORY

Goods as of 31 December 2019 and 2018 are as follows:

| | 31 December 2019 | | | 31 December 2018 | | |
|--------------|--------------------|------------|--------------------|--------------------|------------|--------------------|
| | Cost | Impairment | Carrying amount | Cost | Impairment | Carrying amount |
| Total | 307,781,243 | - | 307,781,243 | 233,145,738 | - | 233,145,738 |

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13. CURRENT AND NON-CURRENT FINANCIAL ASSETS

The Current financial assets as of 31 December 2019, and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|---------------------------|-------------------------|-------------------------|
| Current financial deposit | 313,333 | - |
| Total | 313,333 | - |

The Non-current financial assets as of 31 December 2019, and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|---------------------------|-------------------------|-------------------------|
| Non-current bank deposits | 1,199,470 | - |
| Total | 1,199,470 | - |

14. OTHER CURRENT AND NON-CURRENT ASSETS

The other current assets as of 31 December 2019, and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|-------------------------------|-------------------------|-------------------------|
| Prepaid expenses | 361,487 | 98,840 |
| Accrued incomes | - | 3,167,348 |
| Variable consideration assets | 7,876,365 | 32,615,764 |
| Prepaid taxes | 138,706 | 525 |
| Advance payments | 1,300,471 | 24,240 |
| Total | 9,677,029 | 35,906,717 |

The other non-current assets as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|--------------|-------------------------|-------------------------|
| Deposit | 99,395 | 26,447 |
| Total | 99,395 | 26,447 |

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15. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

Intangible assets, Property, plant and equipment as of 2019 and 2018 are as follows:

| 2019 | Software - construction in progress | Intangible assets | Tools and furnitures | Tangible assets total | Total |
|---|--|------------------------------|---------------------------------|----------------------------------|--------------|
| Opening gross value - 01.01.2019 | 102,090 | 102,090 | 43,427 | 43,427 | 145,517 |
| Increase | 24,916 | 24,916 | 28,410 | 28,410 | 53,326 |
| Decrease | - | - | - | - | - |
| Closing gross value - 31.12.2019 | 127,006 | 127,006 | 71,837 | 71,837 | 198,843 |
| Opening depreciation and impairment - 01.01.2019 | - | - | 8,753 | 8,753 | 8,753 |
| Increase | - | - | 10,388 | 10,388 | 10,388 |
| Decrease | - | - | - | - | - |
| Closing depreciation and impairment - 31.12.2019 | - | - | 19,141 | 19,141 | 19,141 |
| Opening net value - 01.01.2019 | 102,090 | 102,090 | 34,674 | 34,674 | 136,764 |
| Closing net value - 31.12.2019 | 127,006 | 127,006 | 52,696 | 52,696 | 179,702 |

| 2018 | Software - construction in progress | Intangible assets total | Tools and furnitures | Tangible assets total | Total |
|---|--|------------------------------------|---------------------------------|----------------------------------|--------------|
| Opening gross value - 01.01.2018 | 20,000 | 20,000 | 8,788 | 8,788 | 28,788 |
| Increase | 82,090 | 82,090 | 35,137 | 35,137 | 117,227 |
| Decrease | - | - | (498) | (498) | (498) |
| Closing gross value - 31.12.2018 | 102,090 | 102,090 | 43,427 | 43,427 | 145,517 |
| Opening accumulated depreciation and impairment - 01.01.2018 | - | - | 3,640 | 3,640 | 3,640 |
| Increase | - | - | 5,205 | 5,205 | 5,205 |
| Decrease | - | - | (92) | (92) | (92) |
| Closing accumulated depreciation and impairment - 31.12.2018 | - | - | 8,753 | 8,753 | 8,753 |
| Opening net value - 01.01.2018 | 20,000 | 20,000 | 5,148 | 5,148 | 25,148 |
| Closing net value - 31.12.2018 | 102,090 | 102,090 | 34,674 | 34,674 | 136,764 |

The Group has no intangible asset with indefinite useful life.

In 2019 and 2018 borrowing costs were not capitalised as an increase of gross value.

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16. RIGHT OF USE ASSETS

The Group has the following tangible assets that were provided by lessors under financial lease, the value of these assets were:

| 2019 | Right of use assets - Building | Right of use assets - Vehicle | Total |
|---|-----------------------------------|----------------------------------|---------|
| Opening gross value - 01.01.2019 | 162,742 | 88,532 | 251,274 |
| Increase | 41,426 | - | 41,426 |
| Decrease | - | - | - |
| Closing gross value - 31.12.2019 | 204,168 | 88,532 | 292,700 |
| Opening depreciation and impairment - 01.01.2019 | - | - | - |
| Increase | 50,181 | 19,250 | 69,431 |
| Decrease | - | - | - |
| Translation difference | - | - | - |
| Closing depreciation and impairment - 31.12.2019 | 50,181 | 19,250 | 69,431 |
| Opening net value - 01.01.2019 | 162,742 | 88,532 | 251,274 |
| Closing net value - 31.12.2019 | 153,987 | 69,282 | 223,269 |

The Group applied IFRS 16 Leasing from 1 January 2019, the comparative financial statements have not been amended, assets recognised under financial lease are not presented for 2018.

Finance lease liabilities relating to assets recognised under finance lease are presented in Note 18 Short-term and long-term financial liabilities.

17. TRADE AND OTHER PAYABLES

The Trade and other payables as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|----------------|--------------------|--------------------|
| Trade payables | 430,598,528 | 388,734,690 |
| Other payables | 22,279,877 | 1,756,303 |
| Total | 452,878,405 | 390,490,993 |

Trade and other payables are short-term liabilities, due within one year.

Aging analysis of trade and other payables:

| | 31 December 2019 | 31 December 2018 |
|------------------------|--------------------|--------------------|
| Not due | 369,396,869 | 390,490,993 |
| Due within 1-30 days | 25,748,609 | - |
| Due within 31-90 days | 565,466 | - |
| Due within 91-180 days | 57,167,196 | - |
| Due more than 180 days | 265 | - |
| Total | 452,878,405 | 390,490,993 |

The average turnover in days relating to trade payables:

| | 2019 | 2018 |
|------|------|------|
| Days | 331 | 181 |

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18. SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES

The Short-term financial liabilities as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------------------|-------------------------|-------------------------|
| Short-term borrowings | 80,000,000 | - |
| Short-term lease liabilities | 90,720 | - |
| Total | 80,090,720 | - |

The Long-term financial liabilities as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|-----------------------------|-------------------------|-------------------------|
| Long-term lease liabilities | 136,308 | - |
| Total | 136,308 | - |

Finance lease liabilities relating to assets recognised under finance lease:

| | 31 December 2019 | 31 December 2018 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 90,720 | - |
| Due in 2-5 years | 136,308 | - |
| Total | 227,028 | - |

The present value of the minimum lease payments are:

| | 31 December 2019 | 31 December 2018 |
|--|-------------------------|-------------------------|
| Due within one year | 99,215 | - |
| Due in 2-5 years | 141,971 | - |
| Due later than 5 years | - | - |
| Minimum lease payments | 241,186 | - |
| Financing costs | (14,158) | - |
| Present value of minimum lease payments | 227,028 | - |

19. ACCRUED EXPENSE AND OTHER CURRENT LIABILITIES

The Accrued expense as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------|-------------------------|-------------------------|
| Accrued expenses | 1,487,034 | 412,499 |
| Total | 1,487,034 | 412,499 |

The Other current liabilities as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|------------------------------------|-------------------------|-------------------------|
| Withholdings | 3,634,764 | 267,293 |
| Advance received | 256,995 | 256,995 |
| Other financial liabilities | 49,096 | 49,096 |
| Variable consideration liabilities | 41,171,180 | 28,613,224 |
| Total | 45,112,035 | 29,186,608 |

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20. CAPITAL, RESERVES AND RETAINED EARNINGS

Capital, Reserves and Retained earnings as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|--|-------------------------|-------------------------|
| Share capital | 9,514 | 9,514 |
| Capital reserve | 13 | 13 |
| Accumulated other comprehensive income | 13,634 | (20) |
| Retained earnings | 13,241,213 | 5,040,225 |
| Profit for the year | 5,489,036 | 8,200,988 |
| Total equity | 18,753,410 | 13,250,720 |

21. REVENUE

The Group only has one segment therefore the segment presentation is not relevant.

| | 2019 | 2018 |
|------------------------|--------------------|--------------------|
| Export sales revenue | 394,125,544 | 301,569,279 |
| Domestic sales revenue | 20,786,137 | 3,954,165 |
| Total | 414,911,681 | 305,523,444 |

The following table provides information about the revenue disaggregation relating to geographical markets for the financial years ended in 31 December 2019 and 31 December 2018.

| | 2019 | 2018 |
|-----------------|--------------------|--------------------|
| Western Europe | 306,039,493 | 257,406,113 |
| Eastern Europe | 20,766,752 | 6,610,065 |
| Northern Europe | 16,380,281 | 10,034,482 |
| Southern Europe | 71,725,155 | 31,472,784 |
| Total | 414,911,681 | 305,523,444 |

The Group recognizes revenue from customers in accordance with IFRS 15.

22. COST OF SALES

Details of Cost of sales for the years ended 31 December 2019 and 31 December 2018 are summarized as follows:

| | 2019 | 2018 |
|----------------------|--------------------|--------------------|
| Changes in inventory | (79,105,132) | (209,216,192) |
| Purchase of goods | 451,200,952 | 481,156,147 |
| Commissions | 15,194,981 | 14,571,398 |
| Rental expenses | 115,362 | 50,331 |
| Total | 387,406,163 | 286,561,684 |

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23. SELLING AND ADMINISTRATIVE EXPENSES

Details of selling and administrative expenses for the years ended 31 December 2019 and 31 December 2018 are summarized as follows:

| | 2019 | 2018 |
|------------------------------------|-------------------|------------------|
| Commissions | 8,645,317 | 3,425,247 |
| Freight relative costs | 3,972,870 | 1,961,843 |
| Experimental and research expenses | 4,469,626 | 2,470,051 |
| Labor costs | 1,379,930 | 959,557 |
| Travel expense | 208,022 | 202,538 |
| Depreciation | 79,818 | 5,205 |
| Rental expense | 149,048 | 104,231 |
| Marketing expense | 79,340 | - |
| Supplies expense | 88,102 | 79,421 |
| Taxes and dues | 1,455 | 85,143 |
| Sales promotional expense | - | 14,400 |
| Other | 58,190 | 38,948 |
| Total | 19,131,718 | 9,346,584 |

24. FINANCE INCOME AND COSTS

Details of finance income for the years ended 31 December 2019 and 31 December 2018 are summarized as follows:

| | 2019 | 2018 |
|---------------------------------------|---------------|--------------|
| Interest income from bank | 1,254 | - |
| Gains on Foreign Currency Transaction | 48,827 | 17 |
| Gains on Foreign Currency Translation | 1,242 | 3,999 |
| Total | 51,323 | 4,016 |

Details of finance costs for the years ended 31 December 2019 and 31 December 2018 are summarized as follows:

| | 2019 | 2018 |
|---|------------------|----------------|
| Interest Expenses | 1,586,538 | 48,620 |
| Losses on Foreign Currency Transaction | 55,562 | 23,045 |
| Losses on Foreign Currency Translation | 56,219 | 13,159 |
| Loss on disposal of account receivables | 52,513 | 53,449 |
| Total | 1,750,832 | 138,273 |

25. OTHER NON-OPERATING INCOME AND EXPENSES

Details of other non-operating income for the years ended 31 December 2019 and 31 December 2018 are as follows:

| | 2019 | 2018 |
|---------------------------------------|----------------|----------------|
| Gains on Foreign Currency Transaction | 149,297 | 4,292 |
| Gains on Foreign Currency Translation | 15,311 | 2,550 |
| Other service income | 40,535 | 19,118 |
| Gains on Insurance Settlements | - | 80,765 |
| Miscellaneous gain | 2,656 | 420 |
| Total | 207,799 | 107,145 |

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Details of other non-operating expense for the years ended 31 December 2019 and 31 December 2018 are as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| Losses on Foreign Currency Transaction | 17,671 | 43,606 |
| Losses on Foreign Currency Translation | 86,208 | 62,574 |
| Donation | - | 3,040 |
| Miscellaneous loss | 16 | 6,824 |
| Total | 103,895 | 116,044 |

26. TAXES

Tax receivables and liabilities as of 31 December 2019 and 31 December 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|---------------------------------------|-------------------------|-------------------------|
| Tax receivables | 9,495 | 49,034 |
| Tax liabilities | 225,530 | 39,548 |
| Net tax receivable (liability) | (216,035) | 9,486 |

The income tax contains the following items for the financial years ended 31 December 2019 and 31 December 2018:

| | 2019 | 2018 |
|-------------------------------|------------------|------------------|
| Current period's income taxes | 660,844 | 801,123 |
| Local business taxes | 545,855 | 383,742 |
| Innovation taxes | 82,460 | 58,039 |
| Deferred taxes | - | 28,128 |
| Income tax expense | 1,289,159 | 1,271,032 |

The Group has no Tax carry forward neither Deferred tax as of 31 December 2019 and 31 December 2018.

The average effective tax rates of the Group are the following:

| | Average tax rate |
|------|-------------------------|
| 2019 | 19.02% |
| 2018 | 13.42% |

Reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate:

| | 2019 | 2018 |
|--|------------------|------------------|
| Profit / loss before tax | 6,778,195 | 9,472,020 |
| Actual tax rate | | |
| Tax expense calculated with actual tax rate | 434,053 | 852,478 |
| Adjustments | | |
| - Effect from expenses not deductible for tax purposes | 18,146 | 7,054 |
| - Effect from tax deduction and reduction | (6,165) | (34,922) |
| - Effect from Local Business Tax and Innovation tax | (56,548) | (39,760) |
| - Local business tax and Innovation tax | 628,315 | 441,781 |
| - Deferred income tax due to tax loss carryforwards | - | 28,128 |
| - Other | 271,358 | 16,273 |
| Sub-total | 855,106 | 418,554 |
| Income taxes: | 1,289,159 | 1,271,032 |
| At the effective income tax rates | 19.02% | 13.42% |

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27. RELATED PARTY TRANSACTIONS

List of related parties as of 31 December 2019 are as follows:

| Relationship | Company Name |
|---------------------|--|
| Parent company | Celltrion Healthcare Co., Ltd. |
| Other | Celltrion, Inc. Celltrion Healthcare Netherlands B.V. |

Income received from related parties for the financial years ended 31 December 2019 and 31 December 2018:

| | 2019 | 2018 |
|----------------|---------------|---------------|
| Celltrion Inc. | 40,535 | 19,118 |
| Total | 40,535 | 19,118 |

Purchase and Cost of services invoiced by related parties for the financial years ended 31 December 2019 and 31 December 2018:

| | 2019 | 2018 |
|---------------------------------------|--------------------|--------------------|
| Celltrion Healthcare Co., Ltd. | 451,324,827 | 481,156,147 |
| Celltrion Inc. | 11,084,292 | 11,637,183 |
| Celltrion Healthcare Netherlands B.V. | 3,308,976 | 1,713,625 |
| Total | 465,718,095 | 494,506,955 |

Receivables from related parties for 31 December 2019 and 31 December 2018 are the following:

| | 31 December 2019 | 31 December 2018 |
|---------------------------------------|-------------------------|-------------------------|
| Celltrion Healthcare Co., Ltd. | 54,446,669 | 24,311 |
| Celltrion Healthcare Netherlands B.V. | 646,001 | 60,395 |
| Celltrion Inc. | 21,547 | 18,518 |
| Total | 55,114,217 | 103,224 |

Payables from related parties for 31 December 2019 and 31 December 2018 are the following:

| | 31 December 2019 | 31 December 2018 |
|---------------------------------------|-------------------------|-------------------------|
| Celltrion Healthcare Co., Ltd. | 423,035,191 | 379,409,169 |
| Celltrion Inc. | 7,687,212 | 9,325,521 |
| Celltrion Healthcare Netherlands B.V. | 553,070 | 113,625 |
| Total | 431,501,871 | 388,848,315 |

The management of the Group perform their key management activities in their capacity as employees. The amount of employee benefits paid to management was EUR 0. Loans were not granted to the members of management.

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28. CONTINGENCIES AND COMMITMENTS

The minimum lease payment plans for irrevocable lease arrangements are as follows as of 31 December 2019:

| | Buildings | Other | Total |
|---------------------------------|------------------|---------------|----------------|
| Within 1 year | 165,670 | 56,027 | 221,697 |
| Exceeding 1 year within 5 years | 14,400 | - | 14,400 |
| Total | 180,070 | 56,027 | 236,097 |

The minimum lease payment plans for irrevocable lease arrangements are as follows as of 31 December 2018:

| | Buildings | Other | Total |
|---------------------------------|------------------|----------------|----------------|
| Within 1 year | 13,271 | 278,828 | 292,099 |
| Exceeding 1 year within 5 years | 49,925 | - | 49,925 |
| Total | 63,196 | 278,828 | 342,024 |

Celltrion Healthcare United Kingdom Limited, registered in the UK under company number 11685363, has taken the exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary undertakings. Celltrion Healthcare Hungary Kft has given a guarantee for all outstanding liabilities to which Celltrion Healthcare United Kingdom Limited is subjected at 31 December, 2019.

29. SUBSEQUENT EVENTS

Management has assessed that the COVID-19 epidemic has no significant effect for the Financial Statements for 2019, furthermore it has no significant effect for the Groups's ability to continue as a going concern. The COVID-19 epidemic has no significant effect on the sales order volume and neither on the revenue nor on the profit of the Group. The Management takes actions to protect Employees from COVID-19 epidemic to ensure continuous business operation.

30. ASSESSMENTS CONCERNING FUTURE EVENTS

In 2020, the Group expects to increase the revenue amount of all three products which are launched in EU, and starts the sales of the fourth product. The Group and its parent company have a plan to setup the direct sales model in EU with its' newly established subsidiaries in EU.

31. STATEMENT OF RESPONSIBILITY

Based on the applied accounting standards the Annual Report was prepared according to the best knowledge of the Group and gives a true and fair view of the Group's assets, liabilities, financial position and comprehensive income. Furthermore, the Business Report provides a reliable view of the Group's position, development and performance, outlining its main risks and uncertainties.