

2018

**DAEKYO**  
ANNUAL REPORT

[www.daekyo.com](http://www.daekyo.com)

CONTENTS

INTRODUCTION

CEO Message	04
Board of Directors	06
Daekyo Group Structure	07

REVIEW 2018

Financial Highlights	08
Business Performance	09
At a Glance	10

BUSINESS OVERVIEW

Brand Portfolio	14
New Vision	18
New Change for New Growth	20

DAEKYO CSR

Daekyo CSR Brand Identity & Activity	24
CSR 2018 Review	26

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position	30
Consolidated Statements of Profit or Loss	32
Consolidated Statements of Comprehensive Income	33
Consolidated Statements of Changes in Equity	34
Consolidated Statements of Cash Flows	36

INVESTOR INFORMATION

37

ABOUT THIS REPORT

This report includes a future outlook based on Daekyo's past performance and business status. Changes in the economic situation at home and abroad and various uncertain factors of business can lead to results that are different from the contents of the annual report. The executives and employees of Daekyo and its affiliates accept no responsibility for any damages caused by a third party's decision on investment or business based on the information and contents of this report. Therefore, we ask you to be cautious.

We will Make a **Nice Daekyo** that is Completely New,  
Innovative for Everyone, Connecting Everything,  
and Expanding into the World!

All Daekyo members will do great work and provide customers  
with great opportunities for learning.  
It is the future direction of Daekyo and the reason for ceaseless changes and challenges.







With the Whole World as Our Stage,  
Daekyo Aims to Become **the World's Largest School**  
Where Better Teachers and More Students Meet and  
Grow Together.

Based on businesses that can be expanded to the world  
by building a variety of education networks,  
we will provide customers with value beyond learning,  
such as reliability, growth and happiness.



## CEO Message

Hello, shareholders!

Thanks for generous support you have shown to Daekyo.

The economy in 2018 was marked by continuing uncertainty where we couldn't even see an inch in front of us. Externally, anxiety increased due to the U.S.-China trade conflict and the Fed's rate increases despite the economic growth of major advanced countries. Internally, the economic sentiment of consumers worsened as high unemployment and stagnant consumer confidence continued apart from export growth. Amidst these, the consumption pattern of consumers has rapidly changed according to the flow of the Fourth Industrial Revolution and the companies that could not read the flow of changes faced challenges with no end in sight.

To survive in this era of uncertainty, we at Daekyo have also tried various changes and innovations. For our Noonnoppi Business Unit, we have secured competitiveness by launching a next-generation learning center service and completely transferred its system into a new one with a massive reorganization. For the Media Business Unit, a paradigm shift has been made based on the enhancement of the contents competitiveness of all channels and their digitalization. And for our Overseas Business Unit, we have laid the foundation for advancement by developing locally-appropriate service channels and systematically complementing our customer management system.

Despite the hard work of all members, however, the management performance of 2018 left much to be desired. We are very sorry that we could not meet your expectations and trust due to poor performance caused by a sales drop and reduced operating profit that followed suit. However, the innovation we started last year was not an attempt for short-term performance improvement. It was a course of finding a breakthrough to become a hundred-year company, while raising a fundamental question for our business, which has continued for over 40 years.

Dear shareholders,

**The new vision Daekyo wants to achieve by 2025 is the "World's Largest School."** With this year as the first year of the vision declaration, we are planning various changes in overall management to establish a foundation for success.

**The first one is enhancement of customer learning based on IT systems and data.** By service digitalization, we will provide a more effective education service by taking the initiative in the digital-based education market and using the behavior and learning data of customers secured from this.

**The second one is creation of values through various connections.** We will build a platform that interconnects products, channels and customers as well as on/offline channel connection of existing products. Through this, we will design service models that have never existed before and make new values.

**The third one is innovation of organizational culture.** We will establish a culture of "Communication & Collaboration," "Freedom & Responsibility," and "Implementation & Challenge" to respond promptly to the rapidly changing management environment.

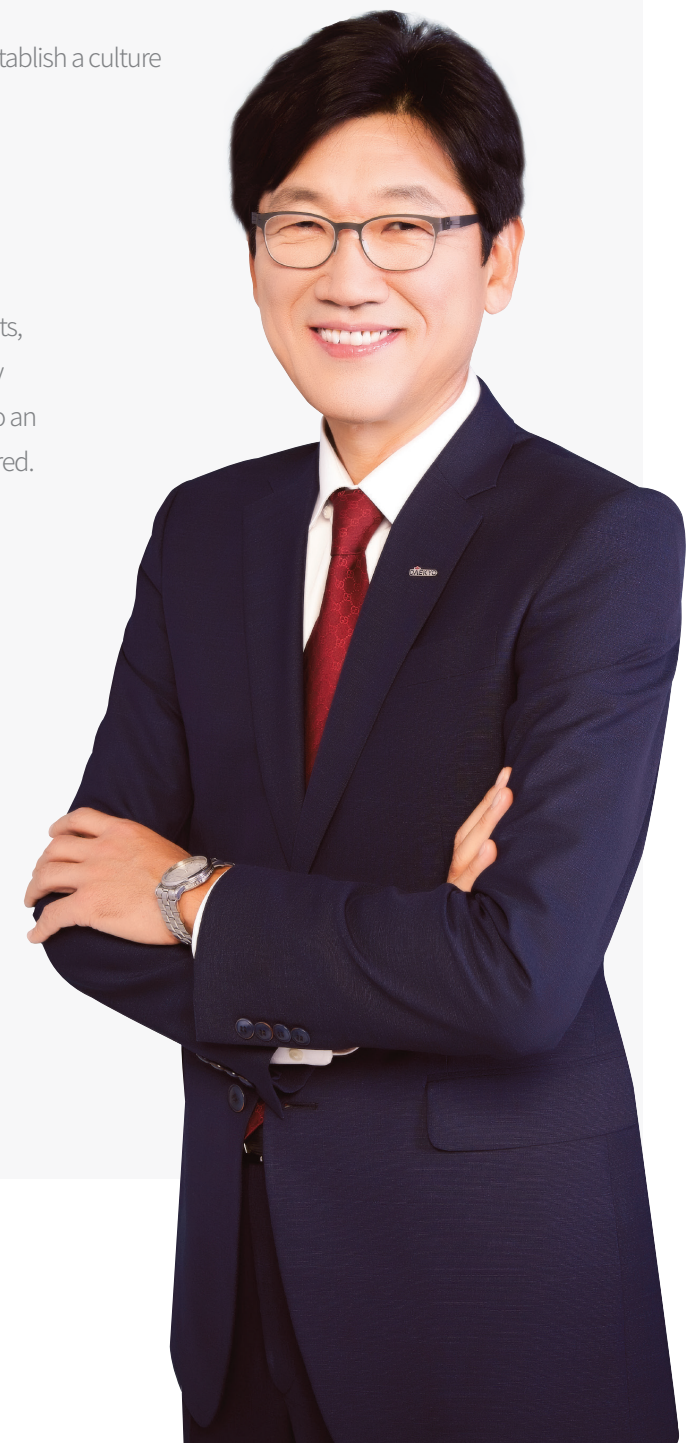
Dear Shareholders,

Judging by the slowing growth trend, diminishing number of students, continuing stagnation of consumer confidence, etc., the crisis is likely to continue this year, too. However, Daekyo will change this crisis into an opportunity with the changes and innovation we have calmly prepared. Also, we will improve shareholder value with more enhanced customer value.

We ask for your continued support for the changes and innovation of Daekyo, which will also continue in 2019.

Thank you.

CEO of Daekyo Park Soo-wan

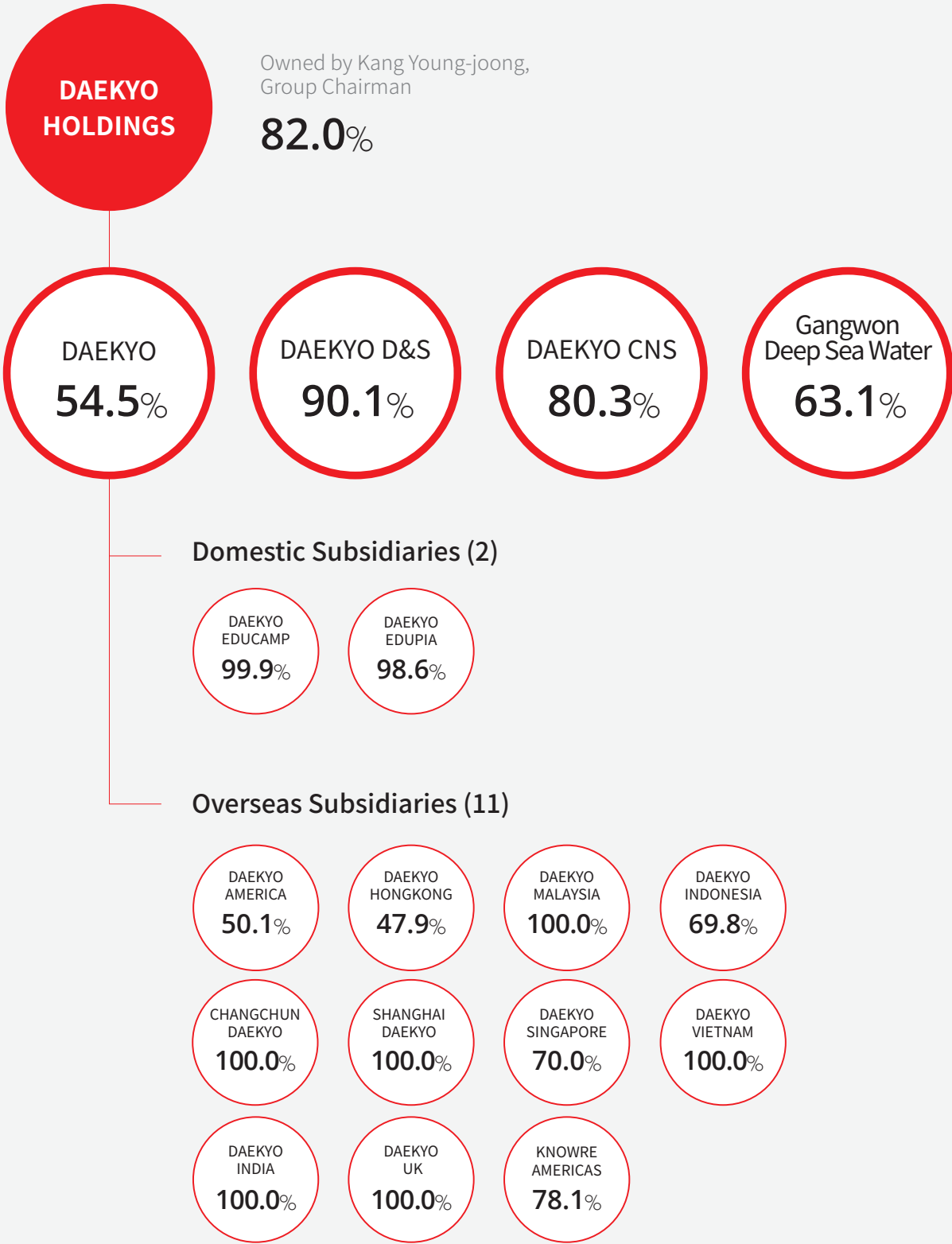





Board of Directors

>> Inside director	<div><div><b>Kang Young-joong</b></div><div><div>- (Current) Chairman of the board of directors of Daekyo</div><div>- (Current) Chief Director of Bong-Ahm Institute, an educational foundation</div><div>- (Current) Chief Director of World Youth &amp; Culture Foundation</div></div></div>
>> Inside director	<div><div><b>Park Soo-wan</b></div><div><div>- (Current) CEO of Daekyo</div><div>- (Former) COO of Daekyo Holdings</div><div>- (Former) CFO of Daekyo</div></div></div>
>> Inside director	<div><div><b>Park Dong-soo</b></div><div><div>- (Current) Head of Media Business Unit of Daekyo</div><div>- (Former) Executive director of Contents Business in KT Media Business HQ</div><div>- (Former) Head of Broadcasting HQ of JoongAng Daily 's Broadcasting.</div></div></div>
>> Inside director	<div><div><b>Kang Ho-jun</b></div><div><div>- (Current) CSO and Head of Overseas Business HQ of Daekyo</div><div>- (Current) CSO of Daekyo Holdings</div><div>- (Former) Head of Daekyo America</div></div></div>
>> Inside director	<div><div><b>Kang Ho-chul</b></div><div><div>- (Current) CFO of Daekyo</div><div>- (Current) CFO of Daekyo Holdings</div><div>- (Former) CEO of Daekyo CNS</div></div></div>
>> Outside director	<div><div><b>Woo Won-gil</b></div><div><div>- (Former) CEO &amp; President of SBS Media Holdings</div><div>- (Former) CEO &amp; President of SBS</div><div>- (Former) Chairman of the Korean Broadcasters Association</div></div></div>
>> Outside director	<div><div><b>Gawk Sang-wook</b></div><div><div>- (Current) Advisor of Law Firm "In"</div><div>- (Former) Member of the Board of Audit and Inspection</div><div>- (Former) Head of Criminal Division of the Supreme Prosecutor's Office</div></div></div>
>> Outside director	<div><div><b>Lee Seung-ho</b></div><div><div>- (Current) Advisor of Yulchon LLC</div><div>- (Former) Head of the Busan Regional Tax Office</div><div>- (Former) Director of Investigation Bureau of the National Tax Service Seoul Regional Office</div></div></div>

Daekyo Group Structure



Financial Highlights

Financial Position

(Unit : KRW 100million)

	2018	2017	YoY
Total Assets	8,303	8,571	- 3.1%
Total Liabilities	2,135	1,802	18.5%
Total Equity	6,168	6,769	- 8.9%

Income Statement

(Unit : KRW 100million)

	2018	2017	YoY
Sales	7,631	8,122	- 6.0%
Operating Profit	256	455	- 43.7%
Net Income	192	416	- 53.8%
Net Income per share(KRW)	205	466	- 56.0%

Financial Ratio

Current Ratio	2017	<div></div>	212.4%
	2018	<div></div>	187.4%
Debt Ratio	2017	<div></div>	26.6%
	2018	<div></div>	34.6%
Capital Adequacy Ratio	2017	<div></div>	79.0%
	2018	<div></div>	74.3%

Business Performance

(Unit : KRW 100million)

	Sales	Operating Profit
DAEKYO	7,055	262
Noonnoppi	5,658	326
Caihong	500	20
Soluny	234	(3)
Media Business	357	(45)
Others	306	(36)
Subsidiaries	646	(14)
Domestic Subsidiaries	404	8
Overseas Subsidiaries	242	(22)
Consolidated Adjustment, Etc.	(70)	8
Total	7,631	256

Dividend

Dividends Per Share	2017	Ordinary Shares	<div></div>	240 won
		Preferred Shares	<div></div>	250 won
	2018	Ordinary Shares	<div></div>	210 won
		Preferred Shares	<div></div>	220 won
Dividend Yield Ratio	2017	Ordinary Shares	<div></div>	2.9%
		Preferred Shares	<div></div>	4.9%
	2018	Ordinary Shares	<div></div>	3.2%
		Preferred Shares	<div></div>	4.6%
Dividend Payout Ratio	2017	<div></div>	51.8%	
	2018	<div></div>	98.9%	



## At a Glance

The year 2018 was a time to establish a core of growth and prepare for a new future in the rapidly changing world education environment.

### Daekyo launches Korea's first 'Service for the Development in Learning Capacity' in the Noonnoppi Learning Center.

Daekyo launched a service for the development in learning capacity in the Noonnoppi Learning Center in September 2018. This service helps children receive a learning effect by systematically diagnosing four study capacities, which are meta cognition, self-efficacy, inner capabilities, and learning motivation, for growing children to study in a self-directed way. Also, this service is provided to learners via 'Diagnostic Test of Four Study Capacities', 'Noonnoppi Growth Tracker', 'Mastery Card', and 'Growth Report'. In addition, it acquired patent rights for a 'Study Capacity Development System' to provide learners with unique learning methods by implementing new S.M.A.R.T. (Self-directed, Motivated, Adaptive, Resource-free, and Technology-embedded) learning.



### Daekyo acquires KnowRe, a global AI math education platform company

Daekyo acquired KnowRe, a global AI math education platform company, in August 2018 to promote EduTech service in earnest. Founded in 2012, KnowRe is a global education company that develops math smart learning solutions and provides education services. It diagnoses learning ability using a deep-learning math education technology platform and offers personalized education courses and contents. 'Summit Math,' introduced jointly by Daekyo and KnowRe, is a digital math product that analyzes in real time for learners to solve problems themselves using AI and provides personalized contents.



### Daekyo launches digital media service 'Daekyo Sangsang Kids'

Daekyo launched 'Daekyo Sangsang Kids,' a book-reading media service where contents and a digital media platform are mixed, in May 2018. This is a media service through which people can read the leading Korean and foreign children books that Daekyo has with 3D curation. 'Daekyo Sangsang Kids' helps children read good books systematically in a fun way. With KT Olleh TV (Korea's largest IPTV platform) as a start, it is equipped with a broadcasting channel, AI TV service and immersive contents (AR fairy tales).

### Daekyo India receives award in 'Indian Education Awards 2018'

Daekyo India received an award in the category of 'The most innovative after-school education model' from 'Indian Education Awards 2018' in a ceremony held in New Delhi, India in February 2018. The Indian Education Awards is a prestigious award in India's education field and is supervised by Franchise India, the largest integrated franchise solution company in Asia. It gives awards by comprehensively evaluating excellent education companies that have advanced into India, along with universities and international schools. Daekyo India received the award as a result of promoting the excellence of Noonnoppi education, which has been recognized in Korea, and focusing on the development of customized services according to the local education environment.





# Business Overview

**Daekyo** realizes a lifetime education service that grants new value to human life, advancing to be a **global company** that grows continuously.





## Brand Portfolio

### Noonnoppi Business

NOONNOPPI

#### Noonnoppi

Noonnoppi education is an individual-ability based learning system whose learning contents vary depending on individual academic ability regardless of school grade. It provides the best learning effect with one-to-one learning management of professional teachers in math and language area, systematic evaluation system, and the “Smart learning service” firstly introduced in the industry. Customers can choose the optimal learning method with various learning channels such as home learning, Learning center, YES CLASS(Home class), and telecommunication education.

#### Caihong

CAIHONG

Caihong is a one-on-one home visit learning program that pairs an expert instructor with professional materials. The program develops intonation, listening, speaking, reading and writing skills for students learning Chinese for the first time. Systematic and professional customized management is provided from kids to adult-level students using storybooks, Junior, Senior, Biz, HSK preparation, Caihong Hanzi, Caihong video-on programs.

#### Soluny

Soluny

Soluny is a program dedicated to reading, debate and essays based on learning by reading and logical thinking. Children can think for themselves and talk and write through our two-way communication teaching between teacher and child. It consists of reading, essays, economic, history forums, middle school literature, and integrated debate programs for elementary and middle school students.

### Media Business

#### Sobics

Sobics is a complete premium collection brand that offers a differentiated, theme-integrated education service to preschoolers and elementary school students. It offers about 50 kinds of completed collections by area and level according to children's development stage and reading level; it holds the best expertise in integrated education with the “Jump Series,” our theme-integrated reading.

SoBics

#### SangSang Kids

Daekyo SangSang Kids is a new reading service where excellent contents and a digital media platform of Daekyo are combined. Various book contents by age, area and theme, curated by education experts, can be experienced on media such as TV or mobile devices.

Daekyo  
SangSang  
Kids

#### Ggumdal

Daekyo's early childhood book brand Ggumdal contains the contents that are essential in the infant period according to educational trends, spanning from children's birth, their first walking and running, to the elementary student period when they broaden their knowledge and dream.

ggumdal

#### Kids JAM

The premium children's academy Kids JAM is a play & experience culture space that fosters the integrated development of the brain, body, and emotions of children. Located in Midas Hotel & Resort, Kids JAM Cheongpyeong Center offers a variety of learning through play, activities and family experience programs. Jam-sil center offers premium convergence education programs for infants.

KIDS JAM

## Media Business



### Daekyo Kids TV

Daekyo Kids TV, which specializes in broadcasting for Kids, develops and provides two-way interaction education contents as well as HD digital contents usable in various platforms such as cable, satellite, IPTV, Internet and mobile Devices. Also, it advances one source multi-use (OSMU), such as the character licensing business, by acquiring Korean business licenses for overseas contents and developing its own excellent contents.



### Daekyo Baby TV

Daekyo Baby TV is Korea's first broadcasting channel for babies aged less than 36 months. As it is programmed based on the standard childcare curriculum certified by the government, mothers can let babies watch it at peace. It produces programs optimized for babies with advisory panels consisting of mothers.



### Eye Level Traumwelt

Eye Level Traumwelt is Korea's largest complex cultural space for children and families where they can find various cultural and experience-based contents, including performances and exhibitions. It is equipped with a flexible multi-use stage, 400-seat auditorium, 547-inch LED display and other high-tech performance equipment.



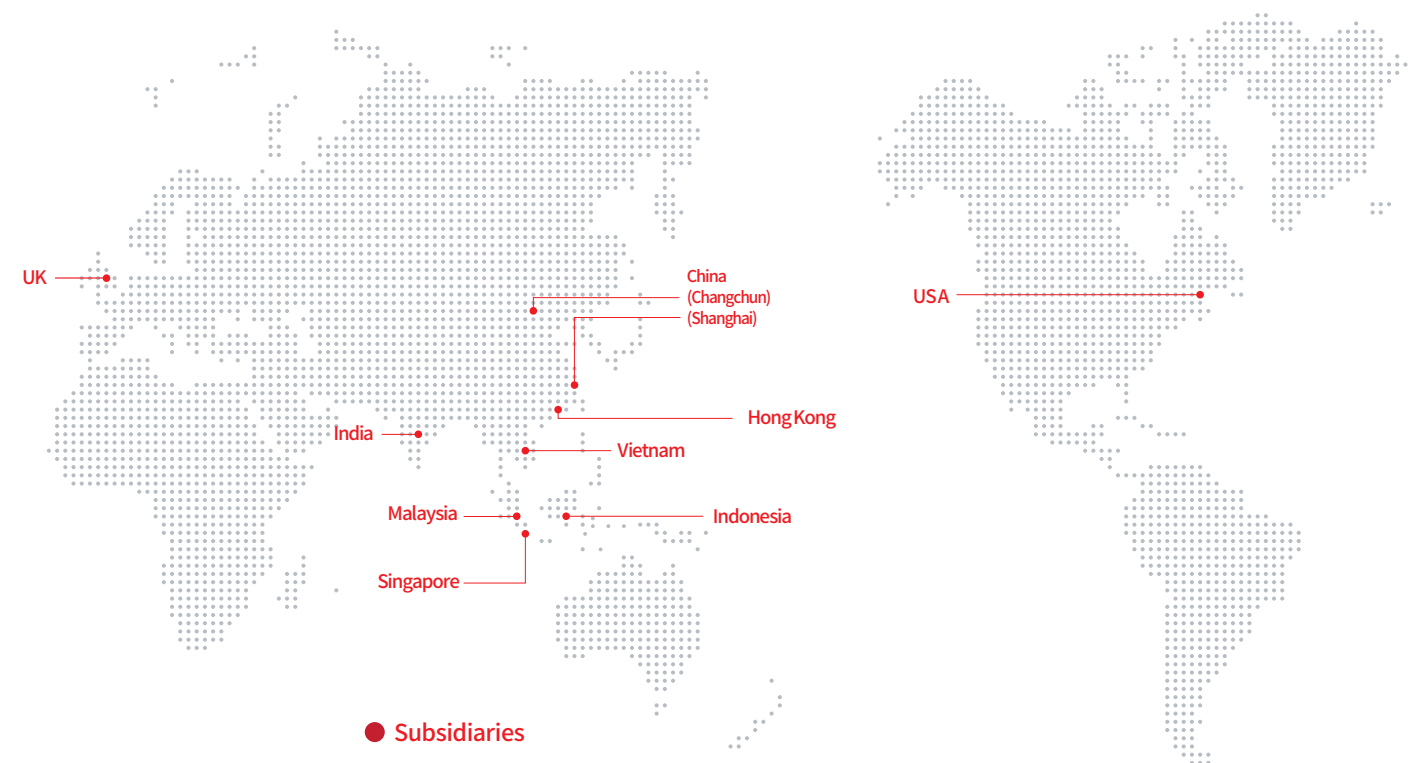
### Daekyo Textbook

Daekyo textbook is a field-friendly textbook that enables students to do self-directed learning and is also suitable for teaching activities for teachers. We have developed English textbooks for elementary school, math textbooks for middle school, and digital English textbooks for elementary school that are in use in some schools.

## Overseas Business

### Eye Level

Daekyo has established 10 overseas subsidiaries that are providing our high-quality Noonnoppi education service to local people all over the world. We operate local branches in the USA (New York, Chicago, Los Angeles, Dallas, Washington D.C., and Atlanta), China (Shanghai and Changchun), Hong Kong, Malaysia, Indonesia, Singapore, Vietnam, India, and the UK, and have local franchises in Australia, New Zealand, Germany, Philippines, Thailand, UAE (Dubai), Kuwait, and Russia. Spreading the "Eye Level" philosophy with these branches and franchises, Daekyo is advancing to become a global whole-person education company.





## New Vision

**“The World’s Largest School,”**  
which offers more value than learning to the whole world!  
This is the new vision of Daekyo that creates tomorrow.



### The world

A company that secures business competitiveness expandable to the whole world without limitation by boundaries of nation, industry, or on and offline



### Largest

A company that builds an education network in which the largest number of customers participate with connectivity-based customer experience innovation and exponential growth



### School

A company that provides customers with more value than learning, such as trust, growth and happiness, with whole-person education and exchanges between customers

## New Change for New Growth

Daekyo's **changes and challenges** for securing a new growth engine and leading the Fourth Industrial Revolution do not stop, even today.

### Noonnoppi Learning Center, which Fosters “Supernatural Study Power”

Children grow to be “self-directed” as they learn with the growth plate and cultivate the four study competences (the power to comprehend, practice, concentrate, and advance) in the Noonnoppi Learning Center. The center issues a growth report every three months for customers to see the courses learned and changes in study Capacities at a glance, which becomes the foundation for growing into a “self-directed child.”



### ‘Summit Math’ provides the real value of a digital solution

Daekyo's AI math program “Summit Math” is an AI method learning program that helps perfect the learning of math in elementary, middle and high school. “Knowledge Unit” technology has been applied for this, which has an international patent pending for the first time in Korea. Knowledge Unit refers to the math knowledge split to the smallest unit and digitalized respectively. With the drill-down method based on this unit, Summit Math tracks the reason for wrong answers even to the end.



#### AI Algorithm

Three patents in Korea,  
international patent  
pending



#### Noonnoppi Learning Center

The only smart  
learning space

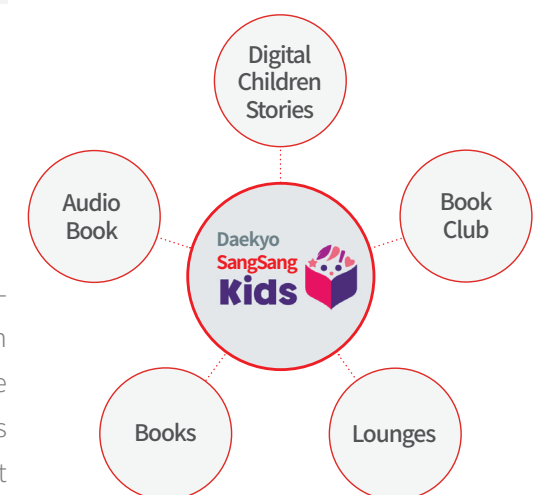


#### Experts' Human Touch

One-to-one customized  
learning

### Meet books more fun than a real book at Daekyo SangSang Kids

Daekyo SangSang Kids guides children to experience the world more realistically with 3D reading materials that stimulate their five senses, ranging from creative children stories that teach imagination and sensitivity to knowledge stories that raise curiosity about the world. Customers can access the books Daekyo SangSang Kids offers in the way they want and in the place they want such as via TV, audio or at lounges.





# DAEKYO CSR

We carry out Daekyo's own CSR activities with our brand **'Learning by Teaching'** to return corporate profit to society and actively communicate with the public.





## Daekyo CSR Brand Identity & Activity

Let us introduce **Daekyo's CSR** brand and activities, which share the philosophy of our ethical management, customer satisfaction management, and sharing management.



더불어  
배우다

### 'Learning by Teaching' is another name for Daekyo's CSR.

The Daekyo CSR brand 'Learning by Teaching' was created to communicate warm stories to the public that can give meaningful messages to them through learning. In accordance with our management philosophy "to learn while teaching, to learn from what's been taught (Kyohak-sangjang, 教學相長)". With 'Learning by Teaching' on Facebook as a start, we share social contribution activities with which everybody sympathizes, various self-development empathy contents and Daekyo's CSR stories.

## CSR Activity

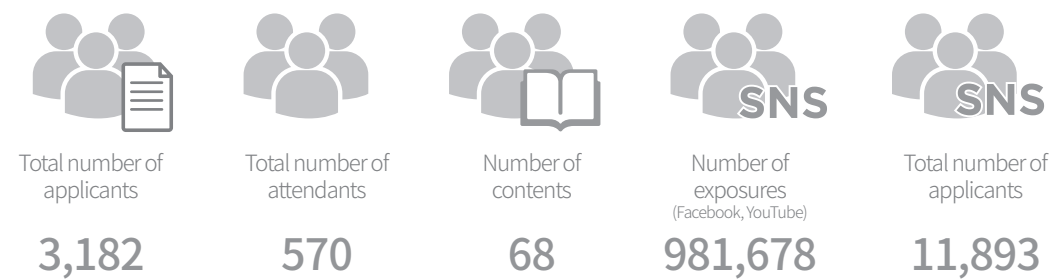


## CRS 2018 Review

### 1. Propagation of Reading Campaign Using Daekyo's Core Competence

“Read Hard (Ppakdok),” the representative reading campaign of ‘Learning by Teaching’, provides more people with a good memory for reading, sense of accomplishment, and experience of surpassing the critical point of reading. Also, we contribute to the improvement of literacy in Korea by creating an environment for reading. Currently, the literacy level of Korea is less than the OECD average, and although people are very enthusiastic about reading, the environment for it is not easily formed because of work, mobile phones, the Internet, etc. In order to address such a social issue and reach a consensus on reading with education that is Daekyo's core competence, we started the “Ppakdok” campaign in 2018.

#### 2018 Ppakdok Results



### 2. Fostering Promising Children in Art, Music, and Physical Fields

The Noonnoppi dream project is a talent fostering program that supports and sponsors children from multicultural families and socially vulnerable classes who have talent in art, music and physical fields. Also, the World Youth and Culture Foundation carries out the “Dream Tree Project,” which develops prospective young children in art, music and physical fields to become world-level talents. Lee Ho-jun, a young promising athlete in the swimming world, and Yeo Seo-jeong, a prospective vault gymnast, saw great results in the 18th Asian Games in Jakarta and Palembang.



### 3. Building of Partnerships Through Cooperation

With the building of an Eye Level school in Kenya for the 2012 SBS Hope School building campaign as the start, we are steadily practicing global social contribution activities to create a sustainable education environment in Africa. Also, to improve the education environment in Zanzibar, Africa, we signed an Inclusive Business Solution (IBS) with various partners such as SBS, Good Neighbors, KOICA and Zanzibar Ministry of Education. Daekyo will provide the contents of “Happy Talk,” a proven English animation, and education for cultivating local manpower, along with SBS supporting the technology and know-how for professional broadcast services and Good Neighbors supporting the construction of local infrastructure and manpower.







# CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position	30
Consolidated Statements of Profit or Loss	32
Consolidated Statements of Comprehensive Income	33
Consolidated Statements of Changes in Equity	34
Consolidated Statements of Cash Flows	36

Daekyo Co., Ltd. and Subsidiaries

## Consolidated Statements of Financial Position

December 31, 2018 and 2017

(in Korean won)	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	58,507,873,463	60,251,798,959
Financial deposits	23,128,149,103	20,688,270,244
Trade receivables	15,998,207,201	21,354,580,944
Other receivables	34,769,959,057	43,395,784,718
Contract assets	2,570,078,302	-
Financial assets at fair value through profit or loss	131,226,354,939	-
Financial assets at fair value through gain or loss	-	51,799,310,135
Available-for-sale financial assets	-	103,810,029,072
Derivative financial instruments	-	665,544,419
Inventories	14,805,379,860	16,077,010,855
Other current assets	4,200,042,063	4,178,718,312
	<b>285,206,043,988</b>	<b>322,221,047,658</b>
<b>Non-current assets</b>		
Other receivables	14,666,265,682	9,047,789,414
Contact assets	3,152,913,647	-
Financial assets at fair value through profit or loss	28,734,503,435	-
Financial assets at fair value through other comprehensive income	82,204,430,525	-
Available-for-sale financial assets	-	161,564,480,707
Investments in associates	34,123,900,787	17,070,564,749
Property, plant and equipment	190,952,897,625	190,747,027,330
Investment properties	123,593,476,346	120,301,293,091
Intangible assets	66,032,749,796	35,921,936,259
Deferred tax assets	1,608,992,365	-
Other non-current assets	52,208,006	223,339,984
	<b>545,122,338,214</b>	<b>534,876,431,534</b>
<b>Total assets</b>	<b>830,328,382,202</b>	<b>857,097,479,192</b>

(in Korean won)	2018	2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	6,568,628,076	8,893,795,885
Other payables	66,839,545,794	69,781,081,449
Derivative financial instruments	195,488,182	193,705,899
Contract liabilities	1,545,712,343	-
Borrowings	21,572,029,240	19,929,837,195
Income tax payable	3,672,423,518	6,273,929,274
Provisions	-	482,371,342
Other current liabilities	51,782,345,665	46,163,726,751
	<b>152,176,172,818</b>	<b>151,718,447,795</b>
<b>Non-current liabilities</b>		
Other payables	39,604,045,881	10,952,134,552
Contract liabilities	208,954,675	-
Borrowings	8,341,742,361	8,200,717,029
Net defined benefit liability	13,171,552,647	8,796,328,695
Deferred tax liabilities	-	497,386,934
	<b>61,326,295,564</b>	<b>28,446,567,210</b>
<b>Total liabilities</b>	<b>213,502,468,382</b>	<b>180,165,015,005</b>
<b>Equity</b>		
Share capital	52,064,920,000	52,064,920,000
Reserves	73,072,275,962	72,720,242,871
Other components of equity	(121,996,794,805)	(79,861,427,413)
Accumulated other comprehensive income	33,853,963,242	53,452,808,387
Retained earnings	575,666,588,298	572,213,321,630
<b>Equity attributable to owners of the Parent Company</b>	<b>612,660,952,697</b>	<b>670,589,865,475</b>
<b>Non-controlling interest</b>		
Non-controlling interest	4,164,961,123	6,342,598,712
<b>Total equity</b>	<b>616,825,913,820</b>	<b>676,932,464,187</b>
<b>Total liabilities and equity</b>	<b>830,328,382,202</b>	<b>857,097,479,192</b>

Daekyo Co., Ltd. and Subsidiaries

## Consolidated Statements of Profit or Loss

Years Ended December 31, 2018 and 2017

(in Korean won)	2018	2017
<b>Sales</b>	763,142,133,236	812,203,103,598
<b>Cost of sales</b>	<b>626,714,040,973</b>	<b>651,339,590,134</b>
<b>Gross profit</b>	136,428,092,263	160,863,513,464
Selling and administrative expenses	109,343,412,083	115,378,593,639
Bad debt expense	<b>1,478,122,665</b>	-
<b>Operating income</b>	25,606,557,515	45,484,919,825
Other income	19,907,605,903	29,710,519,144
Other expenses	24,311,057,747	21,810,050,780
Other bad debt expense	60,985,817	-
Share of profit of associates	4,307,537,123	594,520,526
Interest income	3,782,784,353	-
Other finance income	286,459,178	2,018,002,725
Finance costs	1,401,591,055	1,535,084,658
<b>Profit before income tax</b>	28,117,309,453	54,462,826,782
Income tax expense	8,892,792,261	12,843,983,573
<b>Profit for the year</b>	<b>19,224,517,192</b>	<b>41,618,843,209</b>
<b>Profit (loss) for the year attributable to:</b>		
Owners of the Parent Company	18,849,339,314	41,740,965,066
Non-controlling interests	375,177,878	(122,121,857)
<b>Basic earnings per share attributable to the equity holders of the Parent Company:</b>		
Basic earnings per share for ordinary shares	205	466
Basic earnings per share for preferred shares	250	465
<b>Diluted earnings per share attributable to the equity holders of the Parent Company:</b>		
Diluted earnings per share for ordinary shares	205	466
Diluted earnings per share for preferred shares	247	455

Daekyo Co., Ltd. and Subsidiaries

## Consolidated Statements of Comprehensive Income

Years Ended December 31, 2018 and 2017

(in Korean won)	2018	2017
<b>Profit for the year</b>	<b>19,224,517,192</b>	<b>41,618,843,209</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss		
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	(12,176,575,243)	-
Share of other comprehensive income of associates	36,592,550	-
Remeasurements of the net defined benefit liability	(2,121,419,040)	563,999,661
Items that may be subsequently reclassified to profit or loss		
Gain (loss) on valuation of debt instruments at fair value through other comprehensive income	161,651,080	-
Changes in the fair value of available-for-sale financial assets	-	1,526,946,281
Other comprehensive income relating to the non-current asset held for sale	-	(1,671,720,870)
Currency translation differences	72,745,485	(702,180,502)
Share of other comprehensive income of associates	89,362,738	70,447,759
<b>Other comprehensive income for the year, net of tax</b>	<b>(13,937,642,430)</b>	<b>(212,507,671)</b>
<b>Total comprehensive income for the year</b>	<b>5,286,874,762</b>	<b>41,406,335,538</b>
<b>Total comprehensive income (loss) for the year is attributable to:</b>		
Owners of the Parent Company	4,807,599,603	42,213,397,745
Non-controlling interest	479,275,159	(807,062,207)



Daekyo Co., Ltd. and Subsidiaries

## Consolidated Statements of Changes in Equity

Years Ended December 31, 2018 and 2017

(in Korean won)	Share capital	Reserves	Other components of equity	Accumulated other comprehensive income	Accumulated other comprehensive relating to the non-current asset held for sale	Retained earnings	Non-controlling interest	Total equity
<b>Balance at January 1, 2017</b>	<b>52,064,920,000</b>	<b>72,514,886,266</b>	<b>(74,918,987,086)</b>	<b>52,289,828,801</b>	<b>1,257,107,559</b>	<b>551,632,229,562</b>	<b>7,956,718,379</b>	<b>662,796,703,481</b>
<b>Comprehensive income (loss)</b>								
Profit (loss) for the year	-	-	-	-	-	41,740,965,066	(122,121,857)	41,618,843,209
Changes in the fair value of available-for-sale financial assets	-	-	-	1,452,916,982	-	-	74,029,299	1,526,946,281
Currency translation differences	-	-	-	(360,385,155)	-	-	(341,795,347)	(702,180,502)
Remeasurement of net defined benefit liability	-	-	-	-	-	566,560,652	(2,560,991)	563,999,661
Share of other comprehensive income of associates	-	-	-	70,447,759	-	-	-	70,447,759
Reclassification relating to the non-current asset held for sale and others	-	-	-	-	(1,257,107,559)	-	(414,613,311)	(1,671,720,870)
<b>Transactions with owners</b>								
Dividends	-	-	-	-	-	(12,768,742,350)	-	(12,768,742,350)
Interim dividends	-	-	-	-	-	(8,957,691,300)	-	(8,957,691,300)
Dividends of subsidiaries	-	-	-	-	-	-	(891,420,847)	(891,420,847)
Issuance of shares of subsidiaries	-	(154,307,373)	-	-	-	-	84,363,387	(69,943,986)
Acquisition of treasury share	-	-	(6,809,672,900)	-	-	-	-	(6,809,672,900)
Disposal of treasury share	-	359,663,978	1,178,998,944	-	-	-	-	1,538,662,922
Stock options	-	-	688,233,629	-	-	-	-	688,233,629
<b>Balance at December 31, 2017</b>	<b>52,064,920,000</b>	<b>72,720,242,871</b>	<b>(79,861,427,413)</b>	<b>53,452,808,387</b>	<b>-</b>	<b>572,213,321,630</b>	<b>6,342,598,712</b>	<b>676,932,464,187</b>
<b>Balance at January 1, 2018</b>	<b>52,064,920,000</b>	<b>72,720,242,871</b>	<b>(79,861,427,413)</b>	<b>53,452,808,387</b>	<b>-</b>	<b>572,213,321,630</b>	<b>6,342,598,712</b>	<b>676,932,464,187</b>
Changes in accounting policy	-	-	-	(6,692,790,718)	-	7,281,704,622	-	588,913,904
<b>Restated total equity at the beginning of the financial year</b>	<b>52,064,920,000</b>	<b>72,720,242,871</b>	<b>(79,861,427,413)</b>	<b>46,760,017,669</b>	<b>-</b>	<b>579,495,026,252</b>	<b>6,342,598,712</b>	<b>677,521,378,091</b>
<b>Comprehensive income (loss)</b>								
Profit for the year	-	-	-	-	-	18,849,339,314	375,177,878	19,224,517,192
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	-	-	-	(12,176,575,243)	-	-	-	(12,176,575,243)
Gain (loss) on valuation of debt instruments at fair value through other comprehensive	-	-	-	161,651,080	-	-	-	161,651,080
Gain(loss) on disposal of equity instruments at fair value through other comprehensive income	-	-	-	(978,121,107)	-	978,121,107	-	-
Currency translation differences	-	-	-	(38,964,445)	-	-	111,709,930	72,745,485
Remeasurement of net defined benefit liability	-	-	-	-	-	(2,113,806,391)	(7,612,649)	(2,121,419,040)
Share of other comprehensive income of associates	-	-	-	125,955,288	-	-	-	125,955,288
Share of retained earnings of associates	-	-	-	-	-	(12,417,594)	-	(12,417,594)
<b>Transactions with owners</b>								
Dividends	-	-	-	-	-	-	-	-
Interim dividends	-	-	-	-	-	(12,664,568,790)	-	(12,664,568,790)
Dividends of subsidiaries	-	-	-	-	-	(8,865,105,600)	-	(8,865,105,600)
Capital reduction of subsidiaries	-	25,014,588	-	-	-	-	(719,148,200)	(719,148,200)
Issuance of shares of subsidiaries	-	-	-	-	-	-	(4,795,856,848)	(4,770,842,260)
Acquisition of subsidiary	-	-	(26,442,538,944)	-	-	-	1,268,271,381	1,268,271,381
Acquisition of treasury share	-	-	(15,923,491,215)	-	-	-	1,589,820,919	(24,852,718,025)
Disposal of treasury share	-	327,018,503	1,002,178,984	-	-	-	-	(15,923,491,215)
Stock options	-	-	(771,516,217)	-	-	-	-	1,329,197,487
<b>Balance at December 31, 2018</b>	<b>52,064,920,000</b>	<b>73,072,275,962</b>	<b>(121,996,794,805)</b>	<b>33,853,963,242</b>	<b>-</b>	<b>575,666,588,298</b>	<b>4,164,961,123</b>	<b>616,825,913,820</b>

Daekyo Co., Ltd. and Subsidiaries

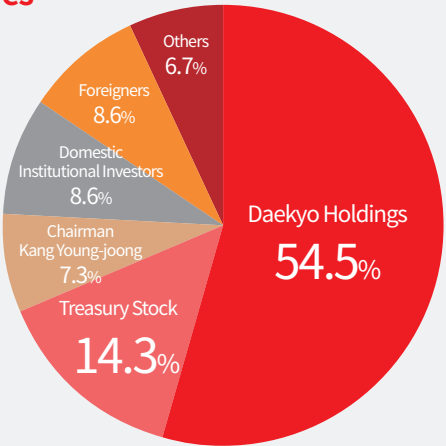
# Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

(in Korean won)	2018	2017
<b>Cash flows from operating activities</b>		
Cash generated from operations	68,132,790,014	104,027,306,650
Dividends received	5,264,889,629	3,875,688,570
Interest received	2,578,193,287	1,783,207,938
Interest paid	(1,050,233,119)	(1,033,623,877)
Income tax paid	(10,744,733,819)	(15,706,436,415)
<b>Net cash inflow from operating activities</b>	<b>64,180,905,992</b>	<b>92,946,142,866</b>
<b>Cash flows from investing activities</b>		
Decrease in financial deposits	16,111,772,238	11,801,957,835
Proceeds from disposal of financial assets at fair value through profit or loss	134,897,398,968	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,062,782,816	-
Proceeds from disposal of available-for-sale financial assets	-	178,575,135,529
Proceeds from disposal of non-current assets held for sale	-	2,744,184,250
Decrease in other receivables	15,520,291,826	7,413,746,926
Proceeds from disposal of investments in associates	5,121,850,000	1,212,000,000
Proceeds from disposal of property, plant and equipment	182,678,149	2,329,391,940
Proceeds from disposal of intangible assets	89,723,340	-
Grants from governments	-	179,224,707
Increase in financial deposits	(18,360,628,564)	(20,083,477,693)
Acquisition of available-for-sale financial assets	-	(205,492,695,196)
Acquisition of financial assets at fair value through profit or loss	(97,777,693,335)	-
Increase in other receivables	(14,031,228,209)	(7,746,670,118)
Investments in associates	(10,159,865,271)	(11,000,000,000)
Acquisition of property, plant and equipment	(22,238,245,780)	(47,075,856,046)
Acquisition of intangible assets	(19,451,618,311)	(14,353,760,685)
Acquisition of business	-	(815,181,294)
Acquisition of subsidiary, net of cash acquired	(16,930,090,038)	-
<b>Net cash outflow from investing activities</b>	<b>(24,962,872,171)</b>	<b>(102,311,999,845)</b>
<b>Cash flows from financing activities</b>		
Disposal of treasury shares	226,300,000	557,182,496
Issuance of shares of subsidiaries	1,268,271,381	84,363,387
Proceeds from borrowings	6,475,535,158	6,302,428,000
Acquisition of treasury shares	(15,923,491,215)	(6,809,672,900)
Dividends of subsidiaries	(5,515,005,048)	(891,420,847)
Dividends paid	(21,529,674,390)	(21,726,433,650)
Repayments of borrowings	(6,398,933,342)	(3,791,767,834)
<b>Net cash outflow from financing activities</b>	<b>(41,396,997,456)</b>	<b>(26,275,321,348)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,178,963,635)</b>	<b>(35,641,178,327)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60,251,798,959</b>	<b>96,847,068,258</b>
Exchange gains(losses) on cash and cash equivalents	435,038,139	(954,090,972)
<b>Cash and cash equivalents at the end of the year</b>	<b>58,507,873,463</b>	<b>60,251,798,959</b>

# Investor Information

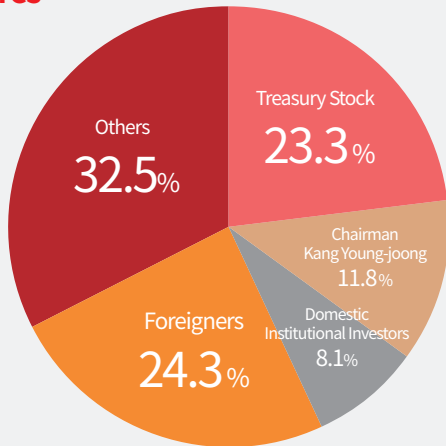
## Ordinary Shares



Outstanding Shares

**84,702,850** shares

## Preferred Shares



Outstanding Shares

**19,426,990** shares

## Company Overview

Company Name	Daekyo Co., Ltd.
CEO	Park Soo-wan
Date of Establishment	July 9, 1976
Date Listed	February 3, 2004
Capital	KRW 52,065 million
Headquarters	(08708) Daekyo Tower, 23, Boramae-ro 3-gil, Gwanak-gu, Seoul, Korea
Homepage	www.daekyo.com

## Investor Inquiries

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2018

**DAEKYO**  
ANNUAL REPORT

