

Korean Air IR Release (FY05-006)

2005. 5. 4

2005 1Q Results

■ Financial Performance

(in billions of KRW)

	2005 1Q	2004 1Q	Change(%)
Operating Revenue	1,702	1,660	2.5
Domestic	134	168	-20.4
International	833	772	7.8
Cargo	531	525	1.1
Others	205	195	5.3
Operating Expense	1,641	1,587	3.4
Operating Profit	61	73	-16.4
Recurring Profit	61	181	-66.2
Net Profit	53	173	-69.7
Earnings Per Share (KRW)	79	259	-69.7

Operating Revenue in the first quarter went up by 2.5% over the same period last year. This was mainly due to increases in international passenger and cargo.

However, operating expense went up by 3.4% due to high oil prices and it led to 16.4% decrease in operating profit. Also, net profit went down by 69.7% due to the reduction in foreign exchange translation gain.

Domestic passenger revenue declined by more than 20%, due to proactive adjustment of operations in response to the Korea Train Express (KTX). However, international passenger revenue grew by 7.8% over the same period in 2004, thanks to the China and Japan markets, which have benefited from new routes (Incheon~Shanghai) and the 'Korean Wave'.

Korean Air Cargo, which grew by 7.2% in 2003 and 21% in 2004, grew 1.1% in the first quarter of 2005. This was mainly because Korean Air Cargo recorded a tremendous growth rate of 21% last year. Moreover, revenue in USD, which comprise around 60% of the total cargo revenue, was reduced due to weak USD after converted to KRW while growth in IT exports slowed down in the 1Q.

Despite efforts to reduce cost, operating expense went up by 3.4% mostly due to high jet fuel prices, which increased by more than 20% year-on-year.

Effects of the oil prices are seen to be offset by implementation of fuel surcharges on selected routes.

< Fuel Surcharge >

- Domestic Passenger : None
- International Passenger : Beginning April 2005, fuel surcharges became effective on outbound flights bound for America/Indonesia/Australia/New Zealand/England/Germany/France

Jet Fuel Price (US\$ / Gallon)	Fuel Surcharge (per passenger, one-way)	
	Indonesia/Guam	Oceania/America /Europe
Less than 1.1999	None	
1.2000-1.2999	USD2.00	USD4.00
1.3000-1.3999	USD7.00	USD13.00
1.4000-1.4999	USD11.00	USD22.00
1.5000 and up	USD15.00	USD30.00

* For in-bound flights, rates may vary from USD 7.00 to USD 19.00

- Cargo: Effective July 2003, Korean Air Cargo introduced fuel surcharge

system as below. If previous month's Singapore Jet exceeded USD 0.7000/Gallon, fuel surcharge becomes applicable as shown and is charged for a period of one month beginning 16th of each month.

Jet Fuel Price (US\$ / Gallon)	Fuel Surcharge (KRW / KG)
Less than 0.6999	none
0.7000 - 0.7999	60 KRW
0.8000 - 0.8999	120 KRW
0.9000 - 0.9999	180 KRW
1.0000 - 1.0999	240 KRW
1.1000 - 1.1999	300 KRW
1.2000 and up	360 KRW

For more information, please visit Korean Air Cargo at <http://cargo.koreanair.com>

Foreign exchange translation gain went down by 50% from 1Q 2004, as the range by which KRW gained was less than it recorded in 1Q 2004. Moreover, due to discrepancies in goods in transit, error corrections in the amount of 24.3 billion KRW were made as loss on prior period.

Foreign Exchange Rate (USD/KRW)

- 2004/12/31: 1,043.8 → 2005/03/31: 1,024.3 (1.9%↓)
- 2003/12/31: 1,197.8 → 2004/03/31: 1,153.6 (3.7%↓)

■ Financial Position

Asset and liability each went down by 2.2% and 3.6% at the end of the first quarter. In the meantime, capital went up by 1.3% because of the rise in retained earnings.

Debt-to-equity ratio went down by 13 percentage point to 243% and interest-bearing debt was also lowered by 3.7% and recorded 7.8 trillion KRW.

	March 2005	December 2004
Debt/Equity ratio	243%	256%

EBITDAR margin	20.0%	14.4%
Fixed charge coverage ratio	1.86	1.50
PBR	33.7%	32.5%

■ Fleet

Korean Air operated a total of 115 aircraft at the end of March, down by 2, from the 117 the airline operated at the end of 2004.

- 1 MD11F : Returned to lessor as operating lease was expired
- 1 B737-900 : Sub leased to an airline

Aircraft Type	Number (as of March 2005)
B747-400	24
B747-300	1
B777-300	4
B777-200	9
A330-200	3
A330-300	16
A300-600	10
B737-800	14
B737-900	14
<i>Passenger Total</i>	<i>95</i>
Average Passenger Fleet Age	7 yr
B747-400F	15
B747-300F	1
MD11F	2
B747-200F	2
<i>Cargo Total</i>	<i>20</i>
Average Cargo Fleet Age	6.2 yr
Total	115
Average Fleet Age	6.9 yr

■ Route

- New Routes: 3/28 Incheon/Amsterdam (Netherlands), 3 weekly non-stop flights
- Flight Suspension: 3/31 Incheon/Madrid (Spain)
2/27 Incheon/Christ Church (New Zealand)
(both routes operated during winter season only)

Attached : 2005 1Q BSPL Summary