

Korean Air IR Release

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2009 3Q Financial Results

Korean Air Investor Relations

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1. Summarized Profit/Loss Statement

(Unit: billion KRW)

	2009 3Q	2008 3Q	Chg (%)	2009 Year-to- date	2008 Year-to- date	Chg (%)
Operating Revenue	2,476.6	2,759.7	-10.3%	6,815.4	7,500.8	-9.1%
Operating Expense	2,376.5	2,784.8	-14.7%	6,836.1	7,622.7	-10.3%
Operating Profit	100.1	(25.1)		(20.7)	(121.9)	
Non-operating Revenue	556.6	242.7	+129.3%	837.8	533.0	+57.2%
Non-operating Expense	301.4	1155.5	-73.9%	1,042.0	2,200.2	-19.6%
Income before Tax	355.3	(937.9)		(224.8)	(1,789.1)	
Net Income	264.0	(684.1)		(183.8)	(1,298.4)	

◆ **Operating profit increased 125.2 billion KRW to 100.1 billion KRW**

◆ **Net income increased 948.1 billion KRW to 264.0 billion KRW**

◆ **Operating revenue decreased by 10.3% to 2,476.6 billion KRW (yoy)**

- √ Domestic passenger revenue decreased 24.1%
- √ International passenger revenue decreased 6.7%
- √ Cargo revenue decreased 18.6%

◆ **Operating expense decreased 14.7% (yoy)**

- √ Fuel expense decreased 39.7%
 - Although fuel expense in USD decreased 49.8%, weakening of KRW led to 39.7% decrease-
- √ Aircraft rentals expense increased 29.1% reflecting the increase of 1 rental aircraft

◆ **Non-operating Revenue increased 129.3% (yoy)**

- √ Due to the increases of gain on FX translation and gain on FX transaction

◆ **Non-operating Expense decreased 73.9% (yoy)**

- √ Although Interest expense and loss on derivative instrument increased, loss on FX translation decreased heavily and led to overall decrease of non-operating expense

2. Operating Performances

	2009 3Q	2008 3Q	Chg (%)	2009 Year-to- date	2008 Year-to- date	Chg (%)
Domestic Pax						
ASK (Mil.)	1,123	1,231	-8.8%	3,318	3,682	-9.9%
RPK (Mil.)	670	845	-20.7%	2,031	2,548	-20.3%
L/F (%)	59.6	68.6	-9.0%p	61.2	69.2	-8%p
Yield (US Cent)	14.72	18.5	-20.4%	13.57	17.21	-21.2%
International Pax						
ASK (Mil.)	19,428	18,737	3.7%	55,779	54,639	2.1%
RPK (Mil.)	14,516	13,905	4.4%	39,006	39,683	-1.7%
L/F (%)	74.7	74.2	0.5%p	69.9	72.6	-2.7%p
Yield (US Cent)	6.92	9.62	-28.1%	6.73	9.32	-27.8%
Cargo						
AFTK (Mil.)	2,782	2,975	-6.5%	8,106	9,180	-11.7%
FTK (Mil.)	2,124	2,204	-3.6%	6,018	6,914	-13.0%
L/F (%)	76.4	74.1	2.3%p	74.2	75.3	-1.1%p
Yield (US Cent)	22.57	33.32	-32.3%	20.09	30.34	-33.8%

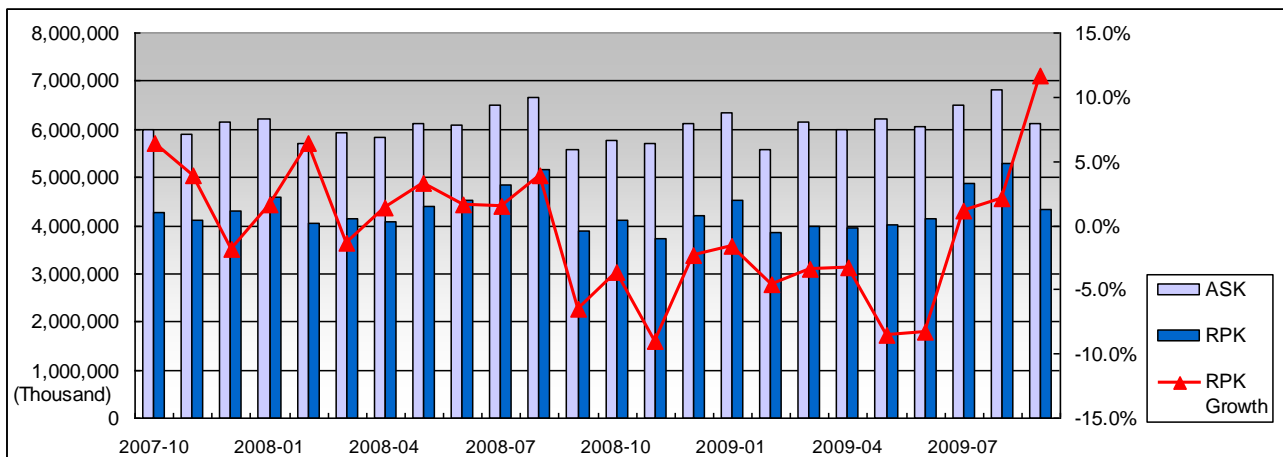
◆ Domestic Pax

- ✓ ASK decreased 8.8% (yoy) and RPK decreased 20.7%

◆ International Pax

- ✓ ASK increased 3.7% and RPK increased 4.4%
- ✓ ASK: Japan route increased by 19%, SEA and Americas route increased by 8% respectively. Oceania, Europe, China route decreased 11%, 10% and 1% respectively.
- ✓ RPK: All routes except Oceania increased. Japan, China, Americas and CIS increased 19%, 7%, 7%, and 5% respectively, whereas Oceania route decreased 8%
- ✓ Korea outbound decreased 7% (yoy). Stabilization of KRW and expectations to economic recovery led to lower decrease rate. (The Korea outbound of first half 2009 decreased 31% (yoy) and 3Q 2009 decreased 7% → Recovery of 24%p)
- ✓ Korea inbound increased 21% and transit increased 24%
- ✓ Japan departure increased 45% due to strengthening of Yen and weak H1N1 impact
- ✓ KRW yield decreased 13.7% due to decrease of fuel surcharge (USD yield decreased 28.1%)

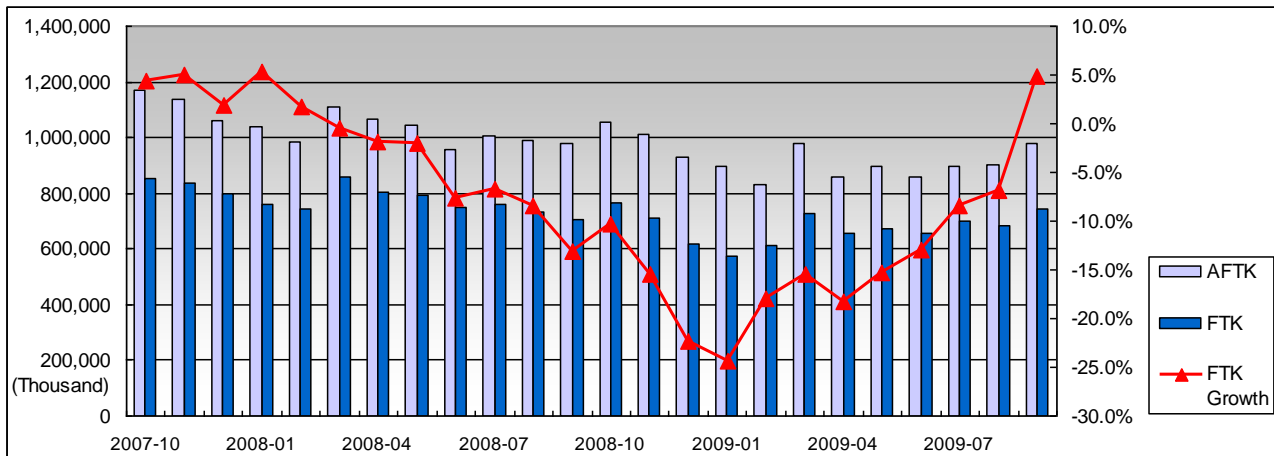
< International Passengers Trend >



◆ Cargo

- ✓ Global air traffic of 3Q 2009 decreased 8% according to IATA report, but traffic of KAL decreased only 4%
- ✓ Overall ASK decreased 6%. Japan route increased 13%(yoy), China route maintained the previous year level, Americas route decreased 9%, Americas route decreased 1%, and SEA route decreased 22%
- ✓ Overall RPK decreased 4%. Japan and China route increased 11% and 9% respectively, whereas SEA, Americas, Europe route decreased 3%, 4%, and 4% respectively. Load factor increased 2%p
- ✓ Korea region shows signals of recovery as shipment of IT -related products increases. Other regions show slow recovery
- ✓ Air cargo traffic is expected to increase in the 4Q 2009 as well, and KAL will maximize its utilization level and expand marketing activities
- ✓ Global air traffic was decreased due to the economic crisis in 2008, but starting from the second half of 2009, Asia and Korea region show a recovery.
- ✓ New cargo routes connecting Asia and Europe were opened in Navoi, Uzbekistan in the 2Q 2009, and another new route is planned to be developed in Hanoi, Vietnam in the 4Q 2009

< International Cargo Trend >



- FTK, Yield, and load factor hit the bottom in the 1Q 2009 and turned around

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1. Balance Sheet

Korean Air Lines Co., Ltd.

Unit: Mil KRW

	30-Sep-09	31-Dec-08	Change
Current Assets	1,974,448	1,975,570	-0.1%
Cash & Short-term financial instruments	581,095	510,560	13.8%
Receivables - trade	594,655	675,338	-11.9%
Inventories	298,235	250,975	18.8%
Others	500,463	538,697	-7.1%
Non-current Assets	14,313,404	13,892,058	3.0%
Investments	1,545,020	1,580,163	-2.2%
Tangible Assets, net	11,603,656	11,285,160	2.8%
(Property)	2,445,007	2,151,624	13.6%
(Aircraft)	8,174,464	8,465,102	-3.4%
Intangible Assets, net	206,959	215,910	-4.1%
Others	957,769	810,825	18.1%
Total Assets	16,287,852	15,867,628	2.6%
Current Liabilities	4,171,990	4,288,510	-2.7%
Payables - trade	170,077	96,124	76.9%
Short-term borrowings	658,774	788,162	-16.4%
Accrued Expenses	306,927	421,074	-27.1%
Advance Receipts	203,171	272,227	-25.4%
Current Maturities of LT Liabilities, less PV discount	2,615,621	2,166,422	20.7%
Others	217,420	544,501	-60.1%
Non-current Liabilities	9,233,873	8,755,725	5.5%
Debentures, less discount	2,940,243	2,544,739	15.5%
LT Debt	2,138,742	1,876,489	14.0%
LT debt assumed	52,129	52,845	-1.4%
LT obligations under installment purchases	5,720	157,054	-96.4%
Obligation under capital lease	3,071,070	3,148,449	-2.5%
Accrued Severance Benefits	527,049	469,970	12.1%
Others	498,920	506,179	-1.4%
Total Liabilities	13,405,864	13,044,235	2.8%
Common Stock	366,754	366,754	0.0%
Capital Surplus	2,108,828	3,008,763	-29.9%
(Revaluation Surplus)	1,915,926	2,815,926	-32.0%
Retained Earnings	-199,710	-915,927	-78.2%
Capital Adjustment	-65,399	-65,399	0.0%
Others	671,515	429,202	56.5%
Shareholder's equity	2,881,988	2,823,393	2.1%
Total liabilities & Shareholder's equity	16,287,852	15,867,628	2.6%
Leverage	465.2%	462.0%	3.2%p
FX rate	1,188.7	1,257.5	-5.5%
PBR	0.81	0.83	-0.02p
Book Value/(Common stocks - Treasury stocks)	₩42,674	₩41,807	2.1%
Treasury stocks	4,437,327	4,437,327	-
Common stocks	71,971,631	71,971,631	-
Total interest bearing Debt(including financial lease)	11,482,299	10,734,160	7.0%

2. Income Statement

Korean Air Lines Co., Ltd.

Unit: Mil KRW

	3Q09	3Q08	Change	YTD 2009	YTD 2008	Change
Operating Revenue	2,476,576	2,759,749	-10.3%	6,815,449	7,500,782	-9.1%
Domestic Passenger	125,601	165,481	-24.1%	368,594	448,114	-17.7%
International Passenger	1,380,619	1,480,204	-6.7%	3,732,377	3,960,874	-5.8%
Cargo	663,702	815,820	-18.6%	1,762,428	2,254,272	-21.8%
Others	306,654	298,244	2.8%	952,050	837,522	13.7%
Operating Expenses	2,041,753	2,396,491	-14.8%	5,878,522	6,525,618	-9.9%
Gross Profit	434,823	363,258	19.7%	936,927	975,164	-3.9%
Selling/General expenses	334,732	388,324	-13.8%	957,580	1,097,083	-12.7%
Operating Income	100,091	-25,066	-499.3%	-20,652	-121,920	-83.1%
Non-Operating Income	556,644	242,693	129.4%	837,817	532,951	57.2%
Interest income	8,402	12,748	-34.1%	25,338	31,880	-20.5%
Dividend income	-	24	-	1,384	1,783	-22.4%
Gain on FX transactions	66,382	11,095	498.3%	209,783	35,090	497.8%
Gain on FX translation	459,826	144,986	-	493,855	278,391	77.4%
Gain on Asset Disposition	383	408	-6.1%	7,831	1,549	405.6%
Gain on equity method	676	-	-	24,791	58,258	-57.4%
Others	20,975	73,432	-71.4%	74,835	126,000	-40.6%
Non-Operating Expenses	301,414	1,155,491	-73.9%	1,041,994	2,200,168	-52.6%
Interest expense	138,338	118,519	16.7%	418,402	337,236	24.1%
Loss on FX transactions	56,007	50,966	9.9%	279,856	108,629	157.6%
Loss on FX translation	-	905,623	-	99,459	1,556,279	-93.6%
Loss on Asset Disposition	36,327	29,513	23.1%	102,606	136,666	-24.9%
Loss on equity method	33,823	36,206	-	99,180	19,442	410.1%
Others	36,919	14,664	151.8%	42,491	41,916	1.4%
Income before Tax	355,321	-937,865	-137.9%	-224,829	-1,789,137	-87.4%
Income Tax	91,309	-253,792	-136.0%	-41,046	-490,710	-91.6%
Net Income	264,012	-684,073	-138.6%	-183,783	-1,298,427	-85.8%

EBITDAR Analysis

Operating Income	100,091	-25,066		-20,652	-121,920	
+ Depreciation (excluding SG&A)	193,996	184,926	4.9%	579,027	545,207	6.2%
+ Amortization (excluding SG&A)	2,702	2,792	-3.2%	8,155	8,376	-2.6%
+ Rental (excluding SG&A)	74,862	59,017	26.8%	233,389	219,502	6.3%
EBITDAR	371,651	221,669	67.7%	799,919	651,165	22.8%
EBITDAR Margin	15.0%	8.0%	7.0%p	11.7%	8.7%	3.1%p

Net Interest	129,936	105,771	22.8%	393,064	305,356	28.7%
Rental (excluding SG&A)	74,862	59,017	26.8%	233,389	219,502	6.3%
Fixed Charge	204,798	164,788	24.3%	626,453	524,858	19.4%
Fixed charge coverage ratio	1.81	1.35	0.47p	1.28	1.24	0.04p

Total Operating Expense Breakdown

Fuel	762,272	1,263,705	-39.7%	2,153,245	3,185,498	-32.4%
Maintenance & Overhaul	141,678	113,988	24.3%	406,710	290,232	40.1%
Labour (excluding SG&A)	262,574	257,485	2.0%	801,223	794,983	0.8%
Depreciation (excluding SG&A)	193,996	184,926	4.9%	579,027	545,207	6.2%
Rentals (excluding SG&A)	74,862	59,017	26.8%	233,389	219,502	6.3%
Ground handling	92,100	85,765	7.4%	263,929	253,605	4.1%
Landing fee	70,923	59,699	18.8%	198,627	177,796	11.7%
Others	443,348	371,906	19.2%	1,242,372	1,058,795	17.3%
Selling/General expenses	334,732	388,324	-13.8%	957,580	1,097,083	-12.7%
Total	2,376,485	2,784,816	-14.7%	6,836,101	7,622,701	-10.3%