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Vision 2023

Sustainable Growth

Financial Stability

Business Strategy

Financial Stability Improvement Strategy

Management Transparency & Shareholder-focused Policy

2019 Business Plan
Vision 2023

Global Leading Airline

**Growth Potential**
- Revenue: KRW 16 T (CAGR 5.1%)
- Assets: KRW 27 T
- Fleet: 190 Airplanes (+24)

**Profitability**
- Operating Profit: KRW 1.7 T (Margin: 10.6%)
- EBITDAR: KRW 3.8 T (Margin: 23.2%)
- Net Income: KRW 0.95 T

**Stability**
- Debt to Equity Ratio: 395%
- Interest Coverage Ratio: 3.3
- Borrowings: KRW 11 T
Sustainable Growth

Revenue KRW 16.2 trillion, Operating Profit KRW 1.7 trillion, Operating Margin 10.6% in 2023 (Non-consolidated)

Revenue

- 2018E: KRW 12.6 trillion
- 2023E: KRW 16.2 trillion
- CAGR 5.1%

Operating Profit

- 2018E: KRW 0.7 trillion
- 2023E: KRW 1.7 trillion
- Operating Margin 10.6%

※ Fuel Price Assumption: ¢200/gallon in 2019, +2.5% annual increase
EBITDAR KRW 3.8 trillion, Debt to Equity 395% in 2023 (Non-consolidated)
Passenger Business Strategy

Network Enhancement
- Leverage on KE/DL Joint Venture to capture US-Asia high end demand
- Expand Europe / SEA routes & frequencies
- Optimize fleet operation on route demand

Operation Efficiency Improvement
- Modernize fleet with high fuel efficiency
- Launch O&D Revenue Management System for strong yield management
- Utilize accumulated big data for customized marketing

Service Quality Improvement
- Provide customer oriented premium service
- Integrate social service centers for customer convenience
- Increase IT service infrastructure & service personnel training

<table>
<thead>
<tr>
<th>Table: Revenue and Passenger Aircraft Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue (KRW billion)</strong></td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>7,738</td>
</tr>
<tr>
<td><strong>Passenger Aircraft</strong></td>
</tr>
<tr>
<td>2018</td>
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<tr>
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<tr>
<td>143</td>
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</table>

<table>
<thead>
<tr>
<th>Table: ASK and Revenue per ASK Growth</th>
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</thead>
<tbody>
<tr>
<td><strong>ASK (Mil km)</strong></td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>99,943</td>
</tr>
<tr>
<td><strong>Revenue per ASK (KRW/km)</strong></td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>---</td>
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<tr>
<td>77.4</td>
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</tbody>
</table>
Maximize Modernized Fleet
- Utilize high fuel efficient new fleet (average age 6 years: B777F, B747-8F)
- Secure global network connecting major cargo hubs
- Maximize passenger fleet belly space to increase cargo sales

Develop Market with Growing Demand
- Develop new routes in Vietnam, India, Mexico, South Americas
- Increase transport of growing items: e-commerce merchandise, medical goods, fresh products, 5G telecom equipment, electric car parts
- Strengthen marketing for global customers (Samsung, Apple, Amazon)

Improve Customer Service with better efficiency
- Increase customer satisfaction by fast & safe transport
- Improve customer convenience with iCargo system (’19, April)
- Expand network through foreign airline collaborations (KE/DL JV, UPS, FEDEX)

Revenue (KRW billion)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFTK (Mil km)</td>
<td>10,836</td>
<td>11,671</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Cargo Aircraft</td>
<td>23</td>
<td>23</td>
<td>+1.5%</td>
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<td>Revenue per AFTK (KRW/km)</td>
<td>278.0</td>
<td>293.7</td>
<td>+5.7%</td>
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Growth CAGR

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2023 Revenue KRW 1 trillion through continuous R&D improvement

**[Parts Manufacturing]**
- Increase New Business through Integral Complex Development
  - Wing structure manufacturing
- Expand Process Automation
  - Cost competitiveness improvement

**[Military Drone]**
- Mass Production of Military Drones from 2019
  - Revenue increase
- Develop Specialized Technology
  - Stealth, Hybrid-Engine, etc.

**[Aircraft Modification]**
- Increase Aircraft Modification utilizing existing production
  - Secure new orders
  - Increase independent operation
- Collaborate within Global Alliance
  - Technology Development Risk Sharing
Catering / In-Flight Sales Strategy

- Secure Market Leadership & Capability in Flight Catering
- Take Pre-Emptive Action for Customer Needs & Purchasing Pattern

**[Catering]**
- Enhance global competitiveness with catering quality & safety upgrade
- Increase passenger & airline customer satisfaction with new menu development
- Develop well-being / health conscious menu meeting customer needs

**[In-Flight Sales]**
- Analyze big data & market trend to develop customer preferred products
- Focus on high margin product for profit increase
- Enhance target marketing to bring out potential demand
**Financial Stability Improvement Strategy**

- **Debt to Equity Ratio 395%, Financial Debt KRW 11 trillion through Continuous Profit Generation**

**[Financial Structure Improvement]**
- Generate stable cash flow from operation
- Net debt reduction from 2019
- Accumulated free cash flow over KRW 2 trillion (2019~2023)

**[Equity Improvement]**
- Profit generation from all business units
- Improve credit rating & decrease interest cost

**[Risk Management]**
- Fuel: Hedge up to 50% of annual consumption
- Currency: Diversify lending currencies & increase CRS
- Interest Rate: Optimize fixed / floating rate balance

**[Long Term Credit Rating Target]**
- BBB+ ➤ A- ~ A0 ➤ A+

**[Debt to Equity Ration Target]**
- 2018E: 699%
- 2023E: 395%
- 304%p▼

- Debt Management
- Equity Improvement
- Risk Management
**Management Transparency & Shareholder-focused Policy**

**Management Transparency**

- **BOD**
  - 5 Non-executive Directors
  - 4 Executive Directors

- **Audit Committee**
  - 3 Non-executive Directors

- **Management Committee**
  - 3 Non-executive Directors
  - 3 Executive Directors

- **Non-executive Director Recommendation Committee**
  - 3 Non-executive Directors
  - 2 Executive Directors

- **Group Compliance Committee**
  - 4 External Members
  - 3 Internal Members

- **Internal Control Group**
  - Transparency Monitoring
  - Report to BOD & Audit Comm

- **Group Internal Control**
  - 3 Non-executive Directors
  - 2 Executive Directors

**Investor Friendly Policy**

- **Corporate Value Enhancement**
  - Continuous Profit Generation
  - Maintain Sustainable Dividend Payout

- **Shareholder Communication**
  - IR Conference (Semi-annual) and Call (Quarterly)
  - Scheduled Group IR Activities
2019 Business Plan

Strengthen Growth Potential with Profit-Oriented Operation
- Leverage Delta J/V to Strengthen Network Competitiveness
- Develop New Products Meeting Customer Needs
- Review & Improve Work Process for Productivity Improvement

Enhance Safety & Internal Communication
- Strengthen Safety Activities to Maintain Top-notch Safety Operating System
- Expand Internal Communication for Inter-Departmental Collaboration
- Foster Open Work Culture by Implementing Casual Communication Settings

Qualitative Growth to Manage External Changes
- Fast Respond to External Changes with Flexibility
- Enhance Risk Management
- Strengthen Financial Soundness through Profitability Improvement

Market Environment
- Jet Fuel: 200 cent/gallon
- Currency: ₩1,150/$
- 3M Libor: 3.0%

Business Plan
- Revenue: KRW 13.2 T
- Operating Profit: KRW 1.0 T
- Operating Margin: 7.6%
- EBITDAR: KRW 2.7 T
- Fleet: 166 Planes

Revenue: KRW 13.2 T
Operating Profit: KRW 1.0 T
Operating Margin: 7.6%
EBITDAR: KRW 2.7 T
Fleet: 166 Planes
KRW 8.1 trillion in Revenue, Strengthening Network Competitiveness and improving Operational Efficiency

[Revenue by Route]

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>2019</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK (Mil km)</td>
<td>99,943</td>
<td>101,846</td>
<td>+1,903</td>
</tr>
<tr>
<td></td>
<td>+1.9%</td>
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<td>+1.9%</td>
</tr>
<tr>
<td>L/F</td>
<td>80.2%</td>
<td>80.7%</td>
<td>+0.5%p</td>
</tr>
<tr>
<td>Revenue (KRW hundred mil)</td>
<td>77,375</td>
<td>81,300</td>
<td>+3,925</td>
</tr>
<tr>
<td></td>
<td>+5.1%</td>
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Profitability Enhancement by New Aircraft and Profit-Oriented Operation

[Revenue by Route]

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Thank You