



Korean Air Announces Q4 and Full-Year Performance Results for 2012

Fleet Expansion Continues with a Positive Market Outlook

4th February 2013

SEOUL, Korea (4 February 2013) – Korean Air, South Korea's flagship airline, has announced its financial results for the fourth quarter and full year ending December 31, 2012.

Due to weak economic recovery and high fuel prices, Korean Air posted an operating income of 3,083.5 billion KRW for the fourth quarter of 2012, and an operating loss of 17.6 billion KRW. International passenger and cargo business remained the major revenue contributors for the airline in Q4, accounting for 56.4% and 26.5% of the operating revenue respectively. Compared to the same period last year, the net income for Q4 increased by 215.1% to 140.3 billion KRW.

Throughout 2012, the airline recorded an operating income of 12,728 billion KRW, up 3.7% year-on-year, and an operating profit of 322.4 billion KRW. The net income for 2012 returned to the black and reached 256.4 billion KRW.

International Passenger Business

During the last quarter, Korean Air saw increased traffic in Southeast Asian countries (up 12%), Europe (up 8%) and China (up 6%). Based on the fourth quarter performance, its international passenger segment recorded a historically high traffic of 16,167 million RPK, an annual

growth of 2.4%. Passenger carrying capacity increased 0.2% to 21,117 million ASK. Korean outbound traffic also lifted 9% compared to the same period last year.

According to the International Air Transport Association (IATA), international air traffic is expected to grow by 5.1% in 2013 with the Asian region growth rate projected to exceed 8%, hence passenger traffic is expected to continue on a steady upward trend. Additionally, with the introduction of new routes (such as Incheon – Colombo and Incheon – Male) and increasing flight frequency on selected routes, such as Busan – Narita, Incheon – Narita, Incheon – Xiamen, Incheon – Toronto and Incheon – Paris, Korean Air has forecasted a significant growth in passenger traffic.

With the addition of seven aircraft to the fleet in 2013, including Airbus A380 and Boeing B777 models, the airline expects to see an improvement in profitability.

Cargo Business

Due to capacity control to maintain load factors and a relocation of manufacturing facilities abroad, cargo traffic recorded a year-on-year fall of 7.2% to 2,122 million FTK as it saw an annual decrease of 5% and 7% in Korean outbound shipments and transit shipments respectively. Transit shipments from Japan reported a decrease while transit shipments from the Americas recorded an increase of 16%. In Q4, Korean Air focused on sales of high margin products such as perishables and medicines to ensure profitability.

According to IATA, global air cargo is projected to increase by 2% in 2013 and the Asian region is expected to increase its profit margins due to a drive in sales growth. With the reorganisation of the network and the continued expansion of new markets such as South America, the Middle

East and Africa, Korean Air is optimistic of further growth in the cargo segments.

Throughout 2013, Korean Air will continue to expand its business prudently whilst constantly enhancing the quality of its service. With its long-standing commitment to achieving “Excellence in Flight”, Korean Air aims to provide the best quality possible to its customers while bringing the best returns to its shareholders.

* Exchange rate on December 31, 2012: 1 US Dollar = 1,071.1 KRW

Korean Air will introduce nine additional next-generation aircraft to its fleet in 2013; two A380s, one A330-200, two B777-300ERs, two B737-900ERs, one B747-8F and one B777F.

The arrival of the additional two A380s, the superjumbo nicknamed “a hotel in the sky”, in July and October 2013, will bring the number of Korean Air’s A380s to eight.

Korean Air will mostly deploy these superjumbos on long-haul flights, including New York and Los Angeles. Throughout January 2013, the A380 frequency between Incheon - New York has doubled from seven to fourteen flights a week. The frequency of the A380 operation between Incheon - LA route is also increased from seven to twelve flights a week during the same period. Korean Air will increase A380 operational frequency on busy routes during high seasons, such as August or December in order to meet demand.

On 1 February, Korean Air resumed the A380 service between Incheon-Frankfurt and in August the airline will begin its A380 service between Incheon and Atlanta.

Korean Air is committed to adopting fuel efficient and eco-friendly next-generation aircraft whilst also maximising passenger comfort with state-of-the-art seats and upgraded inflight services.

Korean Air introduced thirty aircraft during 2011 and 2012; sixteen in 2011 and fourteen in 2012. Korean Air plans to take delivery of a total of 53 aircraft including five B747-8is, ten B787-9s referred to as the 'Dreamliner' and ten CS300s by 2018.

As of January 2013, Korean Air's fleet numbered 152 aircraft. By the 50th anniversary of Korean Air in 2019, the aim is to have 200 aircraft, in keeping with the company ethos "to be a respected leader in the world airline community".

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