Korean Air Selects 27 Boeing Next-Generation 737s

The Boeing Company and Korean Air announced today at a joint press conference in Washington, D.C. an order package by Korean Air for 27 Next-Generation 737s worth approximately $2 billion. The airline selected the 737s as part of its strategic plan to meet future demand in short-range passenger traffic in Northeast Asia.

The package includes 11 737-800s; 11 737-900s; five options for a mix of these same models; spare parts; and other support. Deliveries are scheduled from August 2000 through July 2005.

"As Korean Air strives to become one of the world's leading airlines in the 21st century, this large-scale airplane deal signifies the anticipation of Korea as Northeast Asia's new aviation hub with the opening of the Inchon International Airport in 2001," said Korean Air President and Chief Executive Officer Y.H. Cho.

"To prepare for this transition, Korean Air will employ a strategic plan, including increasing our air-transport capabilities and enlarging our already expansive route network," Cho added. "The procurement of the 737 airplanes will increase our supply capabilities while at the same time simplify the short-range aircraft portion of our fleet -the main component of Korean Air's long-term strategy."

Korean Air anticipates that the Korea / U.S. Open Skies Agreement signed today will intensify competition with the entrance of U.S. airlines vying for a share of the lucrative aviation market in Asia. By strategically preparing to deal with new competitors, the procurement plan is seen as an essential component to the airline's market survival once the new Korean airport opens.

"We are exceptionally pleased that Korean Air has stepped forward with this demonstration of commitment and industry leadership," stated Philip Condit, chairman and chief executive officer - The Boeing Company. "This order exemplifies a long-range planning approach that we encourage our customers to take. It will help to ensure Korean Air's capabilities to meet future competition and market demand."

These new 737-800s and 737-900s will replace 12 F-100s and 14 MD-82s currently used on the carrier's domestic, China and Japan routes. The operation of these two different airplane types results in considerable costs for the airline - an unnecessary burden in difficult economic times, especially when combined with a decline in profit. The use of one airplane type on short-range flights significantly reduces operating costs and helps raise overall efficiency.

The 737 can carry 189 passengers - 70 percent more than the F-100. The new airplanes will feature the enhanced ground-proximity warning system (EGPWS), which will reinforce Korean Air's safety initiatives.

Korean Air is one of the few commercial carriers that has a full-scale manufacturing subsidiary, Korean Aerospace. Korean Aerospace produces the flap-support fairings for the Next-Generation 737. The carrier anticipates that it will increase its export of produced parts - a sector that posts annual revenues of approximately $90 million - and increase overall profits as a result of technical knowledge acquired from production of advanced airplane parts.

This is the second-largest airplane order in the nearly 30-year history of Korea's flagship airline. The carrier's largest order was for 28 747-400s in 1986.

Korean Air is one of the world's largest trans-Pacific carriers, with 58 passenger flights and 32 cargo flights per week to Korea and beyond from 15 major cities in North America. In 1997, Korean Air carried more than 25.5 million passengers and one million tons of cargo. Its fleet of 112 jets - averaging less than eight years - serves 74 cities in 27 countries.

Based on 1996 traffic results, the International Air Transport Association (IATA) placed Korean Air as the second-largest airline in terms of international cargo ton-kilometers and 13th in terms of international passenger-kilometers. More information on Korean Air's routes, frequencies and alliance partners is available on the Internet at www.koreanair.com.

###