

INCHEON INTERNATIONAL AIRPORT

2009 ANNUAL REPORT

 IIAC | Incheon International Airport
2850 Unseo-dong, Jung-gu, Incheon
www.airport.kr



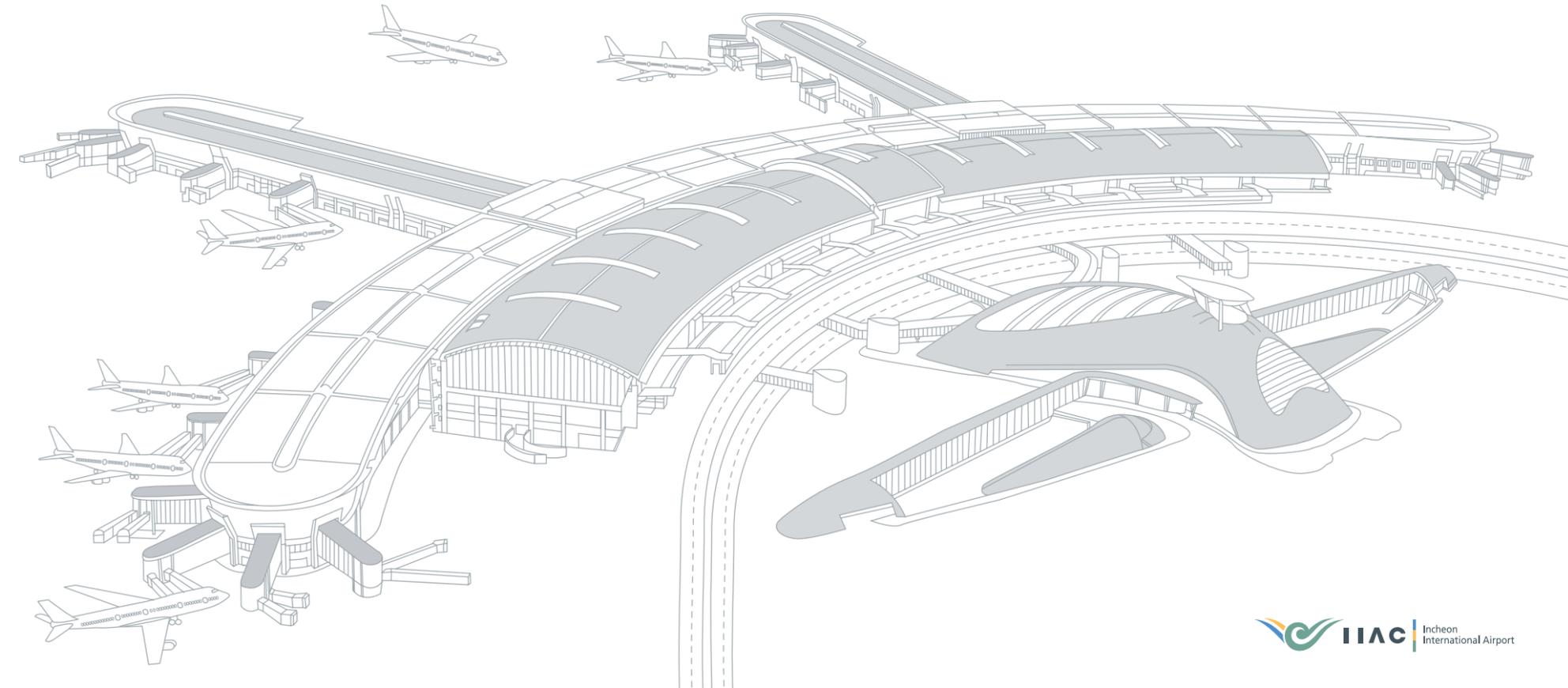
This Annual Report is printed on Elemental Chlorine-Free (ECF) paper.



Creating Difference

INCHEON INTERNATIONAL AIRPORT

2009
ANNUAL REPORT



Creating Difference

WE VIEW AIRPORTS DIFFERENTLY

Thanks to 8 years of flawless operation and unsurpassed service following our successful opening in 2001, Incheon International Airport has grown from Korea's premier airport to one of the top airports in the world, with a unique allure that's all our own.

The world's fastest and most convenient airport, the airport that delivers the greatest customer satisfaction and excitement, the airport with unlimited potential to create new value...

Incheon International Airport is evolving into a new breed of airport the likes of which the world has yet to experience or conceive.

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SPEED AND CONVENIENCE YOU NEVER EXPECTED

Passengers who crave a little pre-boarding free time to relax and explore will appreciate Incheon International Airport's "U-Airport" features. Utilizing the latest IT and biotechnology advances, our Self Check-in, Automated Immigration Screening and high-speed baggage-handling systems speed you through immigration procedures in record time and maximum convenience.



Creating Difference
Ultimate Convenience



Creating Difference
More Excitement

IIAC-
Uniquely
Alluring 02



MORE FUN AND EXCITEMENT THAN YOU THOUGHT

All the top international brands at reasonable prices are only the beginning at AIRSTAR Avenue, a one-of-a-kind integrated airport shopping venue with a variety of events and promotions going on all year long. Incheon International Airport offers you a shopping experience unlike any other, together with unparalleled customer service.





Creating Difference
Spirit & Splendor

IIAC-
Uniquely
Alluring 03



AN AIRPORT WITH TRUE "SPIRIT"
Relax and unwind all year round including holidays in our sumptuously appointed transfer service amenities, or visit the Traditional Cultural Experience Hall, Museum of Korean Culture and Arrival Hall Culture Street for a close-up glimpse into Korea's history and traditions. You can also view masterpieces and performances of world-class artists in the Passenger Terminal and the Concourse. Capturing the true "spirit" of Korea's rich culture, Incheon International Airport creates unforgettable memories for every passenger.





A FUTURE BRIGHTER THAN YOU IMAGINE
Incheon International Airport is creating a new paradigm for airports of the future, generating new demand and value in areas beyond basic airport facilities. We are implementing the 3rd-Phase Expansion to position us as a mega-hub airport, striving to become a carbon-neutral "green airport," expanding our overseas airport business activities, and pushing ahead with Air City development projects. The future of Incheon International Airport is bright indeed, illuminated by boundless hope and potential.



Creating Difference

All Things Possible

IIAC-
Uniquely
Alluring

04



AN AIRPORT UNLIKE ANYTHING THE WORLD HAS EVER SEEN

To Our Valued Customers, Partners and Stakeholders:

I would first like to express my sincere appreciation to our customers for the love they have shown Incheon International Airport in the past year. Due to your abiding interest and support, IIAC has grown during the eight years since its opening to rank second in international cargo volume and twelfth in international passenger traffic.

Despite deteriorating business conditions in 2008, including the worldwide economic recession, rising oil prices and a worsening foreign exchange rate, Incheon International Airport completed the 2nd-Phase Construction without a hitch, thanks to the full cooperation of 35,000 airport employees. Meanwhile, revenues exceeded KRW 1 trillion, while net income totaled over KRW 100 billion for the fifth consecutive year. Furthermore, Incheon International Airport made its successful debut in the world airport market with an order for airport operations support from Iraq's Erbil Airport. Rated No.1 in the Airport Service Quality Survey conducted by the Airports Council International (ACI) for our fourth year in succession, and named "World's Best Airport" by Skytrax of the UK and other major awards, IIAC once again enhanced our brand value and Korea's global prestige.



Despite our many successes, Incheon International Airport has no intention of resting on the laurels of our past triumphs. Instead, we look ahead to our mission to creating a new paradigm for airports of the future. In doing so, our primary focus will be to sustain our record of steady growth and solid results.

We will commence work on the 3rd-Phase Expansion project earlier than originally planned in response to the aspirations of the nation and citizens, to solidify our stature as a global leader, and to secure an early lead over regional rivals in preparing for future growth in demand for air travel.

Additionally, we will develop the surrounding areas of the airport to include an integrated international city combining air cargo & logistics, business & leisure, and entertainment. We also aim to ensure a future growth engine and generate new value in the overseas airport development business, for which Incheon International Airport as a world-leading airport brand boasts highly advanced and specialized knowhow ready for export to overseas airports.

Human resources play the most crucial role in creating growth opportunities and ensur-

ing results. To boost our internal competence, Incheon International Airport nurtures globally competitive personnel and cultivates a creative corporate culture. Moreover, by observing the highest ethical standards and contributing to our community, we will continue to fulfill our social responsibility as a public enterprise and earn the trust and respect of the nation.

These days, airports are advancing well beyond the traditional role of mere transportation facilities, becoming generators of synergy between cutting-edge technologies and "soft power." In this context, Incheon International Airport will add new concepts of "Emotion" and "Inspiration" to conventional service concepts of "Convenience, Speed, and Safety" as we continue to evolve in new and exciting directions.

As always, we will strive to be an airport the entire nation takes pride in, an airport the whole world wants to visit, an airport benchmarked by all others, and an airport where everyone feels like family.

Thank you.

CW Lee

President & CEO

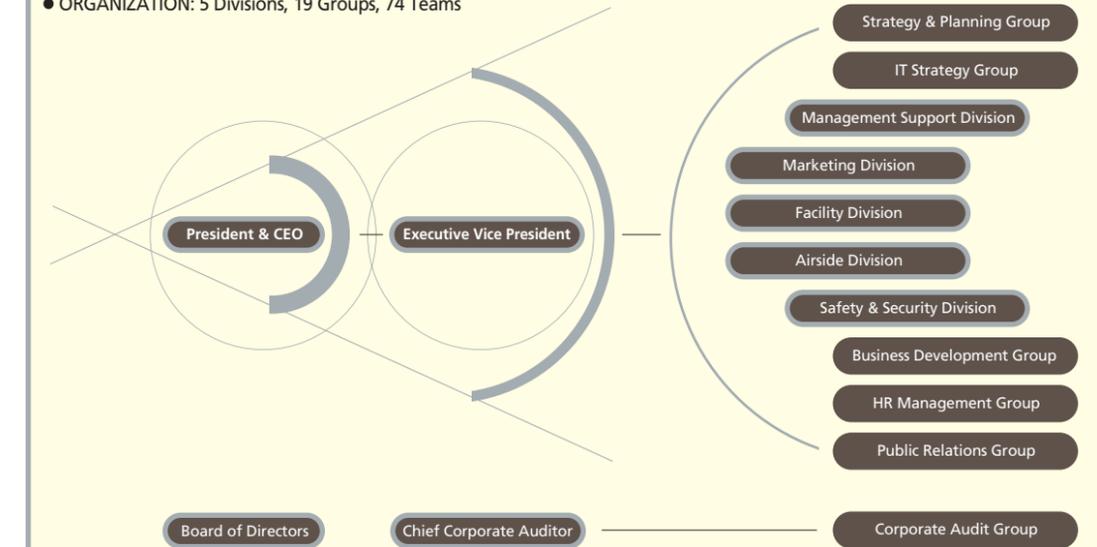
Incheon International Airport Corporation

Management



Organization Chart

- NAME: Incheon International Airport Corporation
- ESTABLISHED: February 1, 1999
- PERSONNEL: 863 persons (including Board of Directors; As of Aug. 1, 2009)
- ORGANIZATION: 5 Divisions, 19 Groups, 74 Teams



WORLD'S NO.1 AIRPORT IN 8 SHORT YEARS

Since opening in 2001, Incheon International Airport has pursued the ambitious goal of becoming "The Future Aviation Hub of Northeast Asia," winning global recognition for continued excellence over the past eight years of safe and efficient operation.

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History ▶▶▶

- 1992. 06** Basic construction plan for new airport announced
- 1992. 11** Site construction commences
- 1994. 09** Korea Airport Construction Authority established (former organization of IIAC)
- 1999. 02** Incheon International Airport Corporation established (President & CEO: Dong-Suk Kang)
- 2001. 03** Incheon International Airport opens
- 2002. 03** Woo-Hyun Cho appointed as 2nd President & CEO
- 2002. 11** 2nd-Phase site construction commences
- 2003. 09** Asia's first CAT-IIIb operation initiated
- 2004. 12** First profits recorded
- 2005. 07** Jaehee Lee appointed as 3rd President & CEO
- 2005. 10** Accumulated passengers exceed 100 million
- 2006. 03** IIAC Free Trade Zone opens
- 2007. 10** Total accident-free flights exceed 1 million
- 2008. 06** 2nd-Phase Grand Opening held
- 2008. 09** CW Lee appointed as 4th President & CEO
- 2009. 02** First overseas business construct signed (Erbil Airport, Iraq)
- 2009. 03** Accumulated passengers exceed 200 million
- 2009. 04** IIAC wins 4th straight No.1 rating in ACI's Airport Service Quality Survey
- 2009. 06** Named "World's Best Airport" by Skytrax

2008 2009
IIAC
BUSINESS
HIGHLIGHTS

01 GROWTH & ACCOMPLISHMENT



- **Revenues Exceed KRW 1 Trillion; 5th Year of Profits in KRW 100 Billion Range** In 2008, IIAC earned revenues in excess of KRW 1 trillion, while recording net income of KRW 153.4 billion for our fifth consecutive year of profits.
- **IIAC Sweeps Top 3 Airport Service Competitions** Placing 1st in the three top airport service quality evaluations, IIAC earned its fourth straight No.1 rating in ACI's Airport Service Quality Survey. It was also named "World's Best Airport" by Skytrax and "Best Airport in the World" for the third year in a row by *Global Traveler*.
- **Overseas Business Debut in Iraq** A US\$31.5 million deal to provide consulting services to Erbil International Airport heralds IIAC's entry into the world's airport business market.
- **Turning Northeast Asian Hub Dreams into Reality** IIAC's hub strategies include boosting air travel demand and establishing an advanced logistics base. By improving flight connectivity and refurbishing transfer service amenities, we increased transfer passenger volume by 16.6% over 2007 to 4.42 million. We also attracted new airlines, including Finnair and Aircalin, and lured logistics & manufacturing majors, like DHL and ASML.

02 AIRPORT OPERATION & SERVICES

- **2nd-Phase Grand Opening** With the 2nd-Phase Grand Opening of IIAC, we consolidated our position among the world's top airports in terms of advanced facilities, while raising our international handling capacities to 44 million passengers and 4.5 million tons of cargo per year.
- **Ubiquitous Convenience with "U-Airport"** IIAC's "U-Airport" innovation harnesses advanced IT and biotechnology to provide the world's fastest processing times, featuring Self Check-in, Automated Immigration Screening, and high-speed baggage-handling systems.
- **Displaying the Korean Spirit with Culture & Art** The new Traditional Cultural Experience Hall, Museum of Korean Culture, and Arrival Hall Culture Street offer exciting things to see and do, while AIRSTAR Avenue redefines the concept of airport shopping with unmatched selection and service, and new transfer amenities make waiting a pleasure for transferring passengers.



03 ORGANIZATIONAL MANAGEMENT



- **Upgrading Management Systems and Nurturing Global Talent** IIAC has slimmed down structurally and reinforced performance- and talent-based HR management with the introduction of new personnel systems and a Job Posting program. We are also strengthening the global competencies of our staff through systematic HR development and specialized education programs.
- **Putting Sharing and Win-Win Management into Practice** In 2008, IIAC implemented the public sector's first wage freeze and reduced entry salaries of university graduates, using the saving to expand jobs for youth interns. For our progressive labor-management relations based on mutual benefits and cooperation, we won the "Grand Prize" in the 1st Workplace Innovation Competition in 2008.
- **Unceasing CS Efforts** IIAC earned an "A" rating in the 2008 National Customer Satisfaction Index (NCSI) survey of public organizations with a score of 89.6 points—up 1.4 points from 2007—and won the Korea Business Excellence Award in recognition of our ongoing quality management in HR support, partnerships and customer relations.

04 CORPORATE SOCIAL RESPONSIBILITY

- **Continuous Social Contribution Activities** We ensure the highest standards of transparent and ethical management enterprise-wide, and fulfill our social responsibility by promoting the specialization of regional schools, supporting the World Peace Forest project, and constructing a cultural & welfare center for residents living near the airport.
- **Setting Mid- to Long-Term "Green Airport" Strategies** Doing our part to combat climate change through carbon-neutral "green growth," IIAC has devised mid- to long-term strategies in green management, energy conservation & efficiency, energy self-reliance, and carbon-neutral operations.



IIAC IN THE GLOBAL SPOTLIGHT



- **BBC:** "Airport officials around the world continuously visit Incheon"
- **BusinessWeek:** "Where is the world's best airport? Seoul, Incheon..."
- **Rossiyskaya Gazeta:** "This is what airports are all about"
- **USA Today:** "Why can't all airports be like Incheon?"
- **Sankei Shimbun:** "Growing into the World's Premier Airport"

World's
Top-Class Airport in
Only 8 Years

- Gateway to the world, connecting 170 cities in 60 countries
- Korea's economic nexus, handling 72% of int'l passenger traffic and 22% of trade
- Hub of NE Asia as world's 2nd int'l cargo handler, among top 12 for int'l passengers

Brand Value Soaring
Amid Sweep of
Top Global Awards

- First to earn 4 consecutive No.1 rankings in ACI's ASQ Survey
- Selected as "World's Best Airport" by Skytrax
- Voted "Best Airport in the World" by *Global Traveler*
- Global brand power pivotal in winning Erbil, Iraq contract

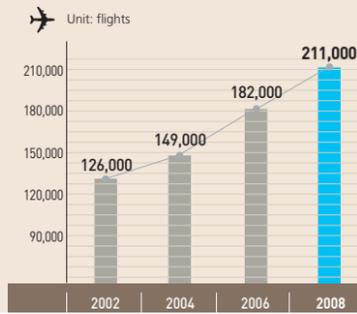
NO. 2 IN INT'L CARGO HANDLING, TOP 12 IN INT'L PASSENGER VOLUME

In 2008, demand for air travel declined amid such adverse factors as volatile oil prices and rising exchange rates. Nevertheless, proactive efforts to stimulate aviation demand and aggressive marketing activities enabled IAC to sustain our growth path as the world's 2nd busiest international air cargo handler and position us among the top 12 airports in international passenger volume.

In terms of aircraft movements, we recorded 211,102 total flights in 2008 with a daily average of 577 flights, while processing 29.97 million passengers and handling 2.42 million tons of cargo during the year.

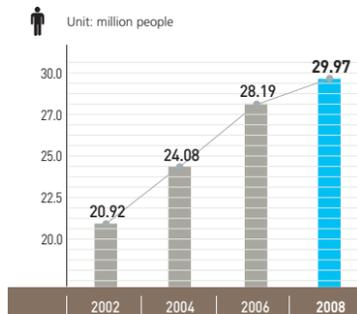
(Aircraft Movements)

Flight results for 2008 registered 211,102 total flights, a slight 0.1% decline from the previous year due to sluggish demand amid the economic slump. An increase was seen in the first half of the year, but by the second half, high oil prices and the recession led the trend to reverse course. Traffic on China routes witnessed a year-on-year decline, but apart from China and the Americas, growth in Europe, Japan and Southeast Asia route helped limit the decrease from 2007 to 0.1%.



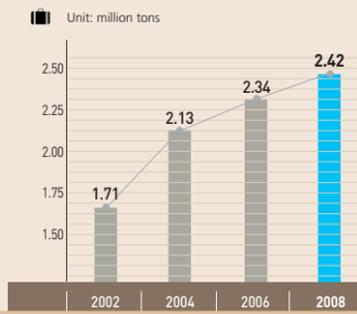
(Passenger Volume)

Passenger volume in 2008 was down 4.0% year-on-year to 29,973,522 persons as a result of slumping air travel. However, while total passenger volume decreased, transfer passengers registered a 16.6% increase year-on-year to 4,421,386 persons. By route, transfer passengers on China, Japan and Southeast Asia routes posted a decline, though transfer passengers on Europe and America routes rose 7.0% and 1.2%, respectively.



(Cargo Traffic)

Cargo traffic totaled 2,423,717 tons in 2008, reflecting a 5.2% decrease from 2007. Despite an increase in the first half, the global economic recession led to a dramatic reduction in North American and European air cargo markets and a sharp decline in overall shipments of manufactured goods from Asia. The volume of transhipped cargo also registered a 6.8% drop from 2007 to 1.19 million tons, but the transshipment ratio remained high at a world-leading 49.2%.



OVER KRW 1 TRILLION IN REVENUES, 5 STRAIGHT YEARS OF STRONG PROFITS

Amid a decrease in aviation earnings brought on by the global economic recession, Incheon International Airport's ongoing efforts to improve our financial status garnered impressive results in 2008. Total revenues exceeded KRW 1 trillion and net income totaled KRW 153.4 billion to mark our fifth consecutive year of profits in excess of KRW 100 billion. Despite expenditures of KRW 3 trillion for the completion of 2nd-Phase construction in 2008, IIAC made substantial progress in reducing our debt to equity ratio and strengthening our financial soundness.

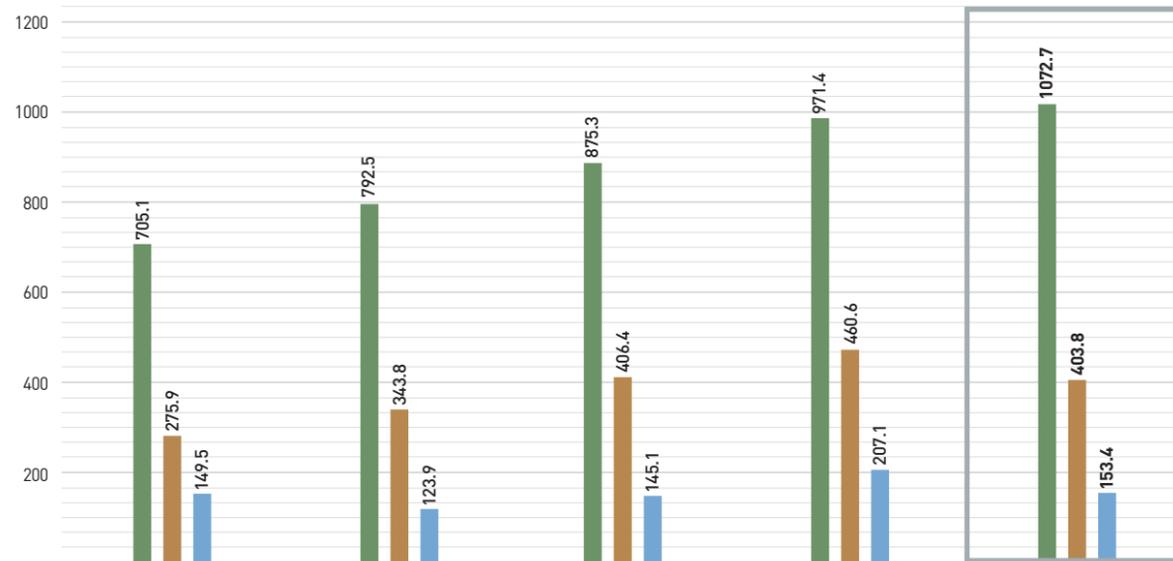
(Operating Results) Year ended 2008

- Revenues
- Operating Income
- Net Income

Revenues **1,072.7** billion won.

Operating Income **403.8** billion won.

Net Income **153.4** billion won.



Unit: in KRW billion



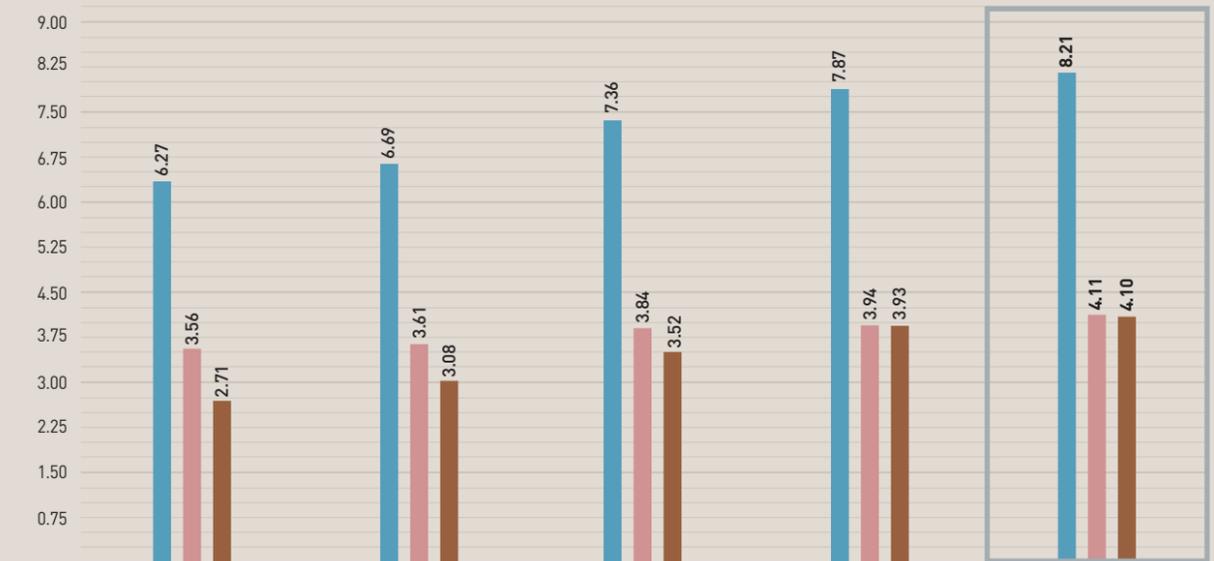
(Financial Status) Year ended 2008

- Assets
- Liabilities
- Total Shareholders' Equity

Assets **8.21** trillion won.

Liabilities **4.11** trillion won.

Total Shareholders' Equity **4.10** trillion won.



Unit: in KRW trillion

2008-2009 Business Performance

GENERATING SUBSTANTIVE RESULTS THROUGH SUSTAINED GROWTH

2008-2009
Business
Performance

Despite intensified competition among neighboring airports and worsening overall business conditions amid the global economic recession in 2008, Incheon International Airport successfully completed our 2nd-Phase Grand Opening and recorded other substantive results.

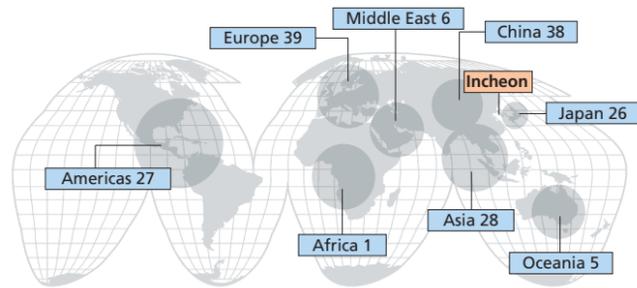
We provide the world's fastest and most convenient departure and arrival service, introduced art and culture to the airport, and received our fourth consecutive No.1 rating in airport service quality evaluations, thereby raising the brand power of both IIAC and Korea. To secure a growth engine for our continued expansion, we also pursued opportunities in the overseas airport market and pushed ahead with Air City development projects.



01 BUSINESS PERFORMANCE
GROWTH & ACCOMPLISHMENT

BUILDING A FOUNDATION TO BECOME NORTHEAST ASIA'S HUB AIRPORT

In 2008, Incheon International Airport increased aviation demand through active marketing efforts and improved investment conditions, and established a logistics hub. We also enhanced airline connectivity and opened various transfer service amenities, resulting in a 16.6% increase in transfer passengers using IIC over 2007 to 4.42 million travelers. New growth engines were developed as IIC entered the overseas airport market with an order for operations support from Iraq's Erbil Airport, and the "Air City" moved closer to realization.



Airlines & Destinations
70 airlines connecting 170 cities in 60 countries worldwide

Boosting Air Travel Demand & Building Logistics Hub

IIC launched various marketing strategies in 2008 to attract new airlines and boost air travel demand, including sales promotions in target regions and familiarization tours for foreign travel agencies and media. As a result, Finnair, Airalin and Hong Kong Express set up operations at IIC, strengthening our long- and short-haul route networks. Aggressive marketing aimed at cargo airlines and forwarders has lured world-class logistics giants Polar Air and DHL to our Cargo Terminal, along with the Northeast Asian regional hub of Sony. We have also attracted global manufacturing companies such as NeosemiTech and ASML.

To construct a high-value added logistics network, we have held seminars for prominent domestic and foreign companies, while working to improve investment conditions by easing regulations and enacting new laws.



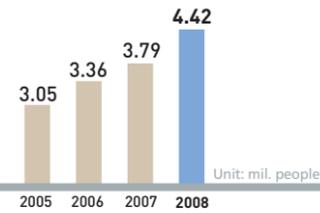
Going All Out to Increase Transfer Passengers

With an extensive route network connecting 170 cities around the world, IIAC has strengthened flight connectivity by optimizing airline schedules, establishing new routes and increasing the number of flights. To attract more transfer passengers, we have developed joint products with travel agencies and launched joint promotions with airlines. To encourage transfer passengers to choose IIAC, we also significantly expanded our transfer lounge, installed new convenience facilities, relocated and integrated transfer counters, and created various tour programs and culture & art attractions. As a result of these efforts, transfer passengers in 2008 totaled 4.42 million, up 16.6% from a year earlier.



Providing the ultimate surroundings for transfer passengers

NUMBER OF TRANSFER PASSENGERS



Overseas Business Becomes New Growth Engine

Since we opened, some 4,000 foreign airport and aviation-related personnel have made benchmarking visits to Incheon International Airport. Recently, we began to pursue exports of technical expertise and knowhow acquired during IIAC's 1st- and 2nd-Phase construction and operation. Our first success came in February 2009 with a US\$31.5 million order for consulting services at Erbil International Airport. For the next five years, we will dispatch 31 specialists in six fields—IT, equipment, electricity, navigational facilities, rescue & firefighting, and management—to conduct test runs and support the management of Erbil International Airport, establishing a basis for future overseas airport projects.

IIAC enhances its stature through participation in the activities of global organizations, including dispatching staff to and carrying out activities as a member-country of the Airports Council International (ACI), joint workshops with international airport authorities from Los Angeles and Brazil, and cooperative agreements with target airports including Narita and Vladivostok.



Feb. 2009
Erbil International Airport contract signing ceremony



June 2009
Vladivostok International Airport cooperation agreement ceremony

- **Erbil Int'l Airport (Iraq) Operations Support Project**
US\$31.5 million contract for dispatch of 31 experts in 6 fields for 5 years
- **Overseas Airport Exchanges & Collaboration**
Joint workshops with airport authorities from Los Angeles and Brazil; Signing ceremony for cooperation agreements with Narita & Vladivostok airports



Overview of Air City Development

- IBC-II Area**
 - World-class integrated resort complex
 - Site: 4.82 million m²
 - Scale: KRW 6 trillion
- IBC-I 2nd-Phase**
 - The center of beauty & fashion in Asia
 - Site: 330,000 m²
 - Scale: KRW 625.6 billion
- Southern Water Basin Area**
 - The hub of water sports
 - Site: 150,000 m²
 - Scale: KRW 25.4 billion

Systematic Airport Hinterland Development

Since 2006, IIAC has been pursuing the development of an integrated airport complex called "Air City," which comprises elements of shopping, tourism, entertainment, conventions and relaxation in a way that fully utilizes the flow of passengers and cargo.

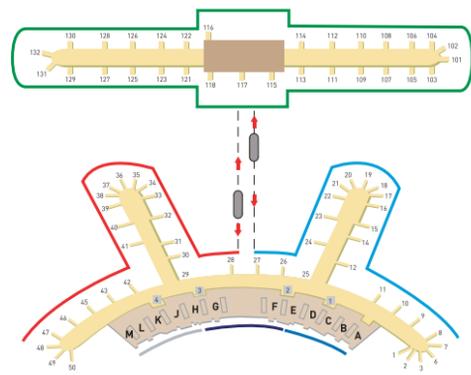
In 2008, we signed an MOU with the MGM Studio City Korea Consortium and the Eighth Wonder Leisure Consortium to develop the International Business Center (IBC)-II area on a 4.82 million m² site northwest of the airport into an entertainment, leisure, commercial and international business complex. In May 2008, we have contracted with the French fashion federation, receiving their support to develop the 2nd-Phase IBC-I area, measuring 330,000 m², into an international fashion complex. Finally, with plans to create a world-class water sports venue, we are cooperating with the Korea Sports Promotion Foundation to complete a water leisure & sports complex by 2010 in the Southern Water Basin Area.

EFFICIENT OPERATIONS & UNCOMPROMISING SERVICE

As part of the 2nd-Phase Grand Opening, IIAC undertook extensive infrastructural upgrades including relocation of airlines, improvements in security procedures, and the introduction of U-Airport, thus raising the efficiency of airport facilities and providing faster, more convenience immigration processing. We also gave our transfer service amenities a complete makeover and added cultural & artistic content to deliver customers unique value and unsurpassed service quality.



June 2008
2nd-Phase Grand Opening & Start of operation



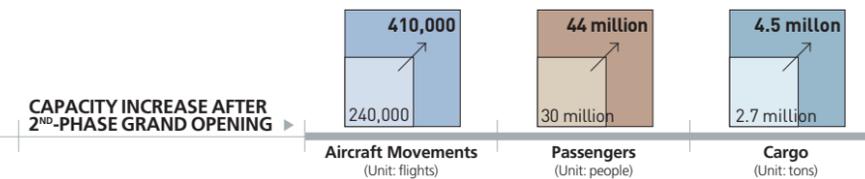
Arrangement of Airlines & Counters

With the 2nd-Phase Grand Opening, national carriers were assigned to the Passenger Terminal and foreign carriers to the Concourse, with airline check-in counters arranged for maximum efficiency and passenger convenience.

Flawless 2nd-Phase Grand Opening

Begun in 2002 at an investment of KRW 3 trillion and roughly 3.5 million man years, the 2nd-Phase Construction of Incheon International Airport was successfully completed on June 20, 2008. The project proved a difficult challenge, as construction had to proceed alongside normal operation of existing facilities. But thanks to thorough preparations and test runs that took into consideration actual conditions, the Grand Opening was achieved without a single hitch.

With the 2nd-Phase Grand Opening, IIAC now boasts a 4,000m-long third runway, a new concourse, the automated Shuttle Train, a high-speed baggage-handling system and other state-of-the-art airport infrastructure. Annual capacities were also expanded, with aircraft movements climbing from 240,000 to 410,000 flights, passenger volume from 30 million to 44 million persons, and cargo traffic from 2.7 million to 4.5 million tons, while a route network of 70 airlines connecting 170 cities in 60 countries was created.



Ensuring Efficient and Safe Airport Operations

Together with the 2nd-Phase Grand Opening, resident airlines were optimally relocated to improve operational efficiency. National carriers were assigned to the Passenger Terminal while foreign carriers were moved in the Concourse, with airline check-in counters also repositioned to maximize efficient operation and passenger convenience. We also reduced congestion by dispersing aircraft movements that had been over-concentrated in specific time slots, and reduced the Minimum Connecting Time (MCT) for national airlines to a world's best 45 minutes.

Zero security incidents were recorded in 2008 as a result of ongoing efforts to furnish IIAC with the world's best airport security systems, including installation of advanced security screening equipment and redeployment of security personnel to improve screening procedures. Boasting runways equipped with CAT-IIIb-certified instrument landing systems affording 100 meters of landing visibility, IIAC demonstrated its superior safety levels by logging over 70,000 hours of accident-free NAIVAIDs operation in March 2009.



Air Travel Goes High-Tech with "U-Airport"

Incheon International Airport is putting its "Ubiquitous Airport (U-Airport)" into action, utilizing advanced IT and biotechnology to speed up and simplify departure and arrival procedures. Introduced in 2008, IIAC's automated immigration screening service incorporates biometric recognition technology for man-less passport inspection, setting a new world record for processing 1 million passengers in the shortest timeframe.

To create a truly "counterless" check-in system, IIAC provided Mobile Check-in service and increased the number of Self Check-in kiosks. Since its introduction in 2007, Self Check-in has seen more than 200% annual growth in utilization with a total of some 900,000 passengers taking advantage of this time-saving service. Along the line of passenger traffic, we have installed the U-Signage and U-Board screens to keep travelers up to date with important information accessible at a glance, anytime and anywhere.



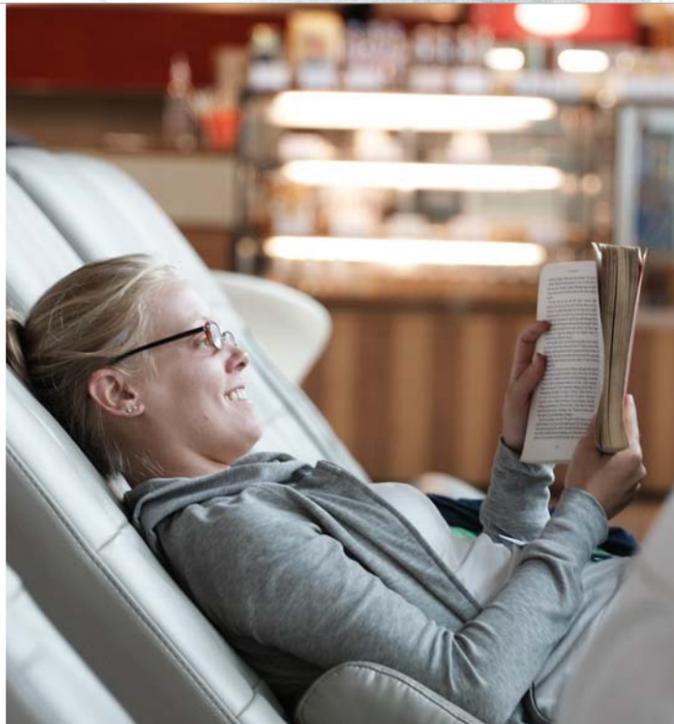
June 2008
Automated Immigration
Screening service begins



Sample the flavor and
beauty of Korean traditional
culture



Various themed events
and exhibits to satisfy all
the senses



Culture + Airport = Unique Value and Enjoyment

As part of the 2nd-Phase Grand Opening, a variety of newly-built transfer service amenities in the Passenger Terminal and Concourse offers transfer passengers a whole new level of comfort to ensure a relaxing and pleasant stay. In addition, at AIRSTAR Avenue, IIAC's bold new concept in airport shopping, visitors will find all their favorite brand-name products at reasonable prices, while the AIRSTAR Terrace combines panoramic views, cultural diversions and sublime relaxation guaranteed to please the most discerning world traveler.

There are also many attractions giving foreign visitors a firsthand look at Korea's culture and history, including the Museum of Korean Culture, the Traditional Cultural Experience Hall, and Arrival Hall Culture Street. Displays feature the works of world-class artists and live performances held throughout the year feature every genre, Eastern and Western, modern and classical. The "spirit" of art and culture is very much alive at Incheon International Airport.



- IIAC's Awards and Recognitions**
- No. 1 in ACI's Airport Service Quality Survey for 4 straight years
 - Named "World's Best Airport" by UK-based Skytrax
 - Voted "Best Airport in the World" for 3 straight years by *Global Traveler*
 - Selected 2009 "Airport of the Year, Asia-Pacific" by Frost & Sullivan
 - Received Route Development Group's 2009 Airport Marketing Award

Hitting the "Grand Slam" of Global Airport Competition

Incheon International Airport received the award for "Best Airport Worldwide" an unprecedented four consecutive years in the ACI's Airport Service Quality Survey. In 2009, IIAC was chosen by Skytrax, the UK-based aviation research agency, as the "World's Best Airport." This distinction reflects the results of a satisfaction survey of 8.64 million respondents in 97 nations around the world.

IIAC was also named "Best Airport in the World" for three straight years by U.S.-based *Global Traveler* magazine and 2009 "Airport of the Year, Asia-Pacific Region" by Frost & Sullivan, while receiving the 2009 "Airport Marketing Award" in the China & Northeast Asia Category from the Route Development Group. Winning these and other accolades from industry organizations and the media in recognition of our management, marketing, and service excellence, IIAC's awards "grand slam" is without precedent in the history of the world's airports and has boosted our brand power immeasurably.

BECOMING A WORLD-LEADING ENTERPRISE

Incheon International Airport has introduced new performance- and talent-based personnel systems and established responsibility management systems, while building cooperative labor-management relations and fostering open-door corporate culture. We have also improved point-of-contact service with the creation of customer satisfaction (CS) management systems that put the customer's needs first.



New personnel system enhances autonomy and responsibility.

IIAC REORGANIZATION

8 divisions 22 groups 92 teams	5 divisions 19 groups 74 teams
--------------------------------------	--------------------------------------

Reorganization and HR Cultivation

IIAC has devised organizational design strategies through Career Development Program (CDP) consultation and job analysis, and carried out structural reorganization to reinforce results- & responsibility-based principles in preparation for future changes in our business environment. This included a significant slimming down of our organization and the strengthening of our marketing and worksite capabilities. Additionally, IIAC introduced a new personnel system that allows unit leaders to personally select their staff members, and an enterprise-wide job posting system designed to enhance performance- & talent-oriented management at the divisional level, thereby promoting autonomy and responsibility.

We also opened the "IIAC HR Academy" to provide job training and specialized service education for employees of the airport and resident organizations. Consisting of in-house MBA programs and courses linked to overseas universities, the curriculum is aimed at nurturing globally competitive talent.



A Grade

2008 Public Organization Customer Satisfaction Survey
(89.6 points, up 1.4 points from 2007)

Fostering an Open-Door Corporate Culture

IIAC introduced the "New Leader Assimilation Program" to revitalize corporate culture and elevate the spirit of teamwork by encouraging close bonds between senior and junior personnel. We also strengthened family-friendly management by providing a substitute workforce to cover for employees taking maternity or child-care leave, and are helping staff maintain a healthy work-life balance through our employee assistance and consulting programs. Consequently, IIAC was the first state-run company to earn an "AA" rating in the Ministry of Health, Welfare and Family Affairs' "Best Family Friendly Management" survey. Furthermore, thanks to labor-management cooperation in corporate innovation and customer satisfaction, IIAC won the "Grand Prize" in the 2008 Workplace Innovation Contest and the Korea Labor Foundation's "Best Labor-Management Culture Enterprise" designation.



Nov. 2008
"Grand Prize" in 1st
Workplace Innovation Contest

Customer Needs-focused CS Management

IIAC seeks to instill a CS culture throughout the corporation in a variety of ways. These include "Voice of Field" (VOF) surveys of employees in first point-of-contact positions, the "CS Doctor" program whereby outside professionals measure CS levels, "Voice of the Customer" (VOC) operations to ensure quick response to customer suggestions, and a CS management network comprised of the Service Upgrade Committee and the Customer Committee.

In addition, IIAC operates various compensation systems including "Service Champion," a customer service promotion program to build employee pride and promote a CS culture enterprise-wide. In support of the Korean government's business-friendly initiatives, we also offer special services tailored for business travelers, the CIP Lounge and the Business Center. As a result of these efforts, IIAC received an "A" rating in 2008 National Customer Satisfaction Index (NCSI) survey for public Organization. Due to our constant quality management in all areas including HR, partnerships and customer relations, we also won the Korea Business Excellence Award.

ENHANCING CSR AS A TRUSTED STATE-RUN ENTERPRISE

To fulfill our responsibilities as a public enterprise, IIAC operates extensive ethical management systems and conducts regionally-focused social contribution activities. Moreover, we are playing an active role in efforts to overcome the national economic slump through budgetary expenditure, activating private investment, and creating jobs.



Executives and employees take part in free heating coal delivery

Practicing Ethical Management & Social Contribution

IIAC organizes the "Clean Compact" oath-taking ceremony with resident organizations and partner companies, pledging to abide by "Transparency, Ethics & Environment" standards, and continually enhances ethical management through education programs and forums. Selecting the local community as the primary focus of our social contribution activities, we carry out ongoing three core programs: specialization of local schools, the World Peace Forest project, and construction of welfare & cultural facilities for residents living near the airport.

We are also active in various community outreach programs, including free heating coal deliveries, visits to social welfare facilities, and volunteer group activities. Minimizing our impact on the environment is another major goal of IIAC's CSR agenda, and we make an ongoing effort to become a truly "green airport" in all respects. Owing to rigorous monitoring, measuring and reduction of aircraft noise, air and water pollution, and waste, IIAC exceeded our environmental index improvement goals over the previous year. As a result of these efforts, IIAC recorded zero violations of environmental regulations and required no external environmental inspections in 2008.



Nov. 2008 "Clean Compact" ceremony for transparency, ethics and environment



Overcoming Crisis with "Sharing" and "Win-Win" Management

To help revitalize the sluggish economy, IIAC executed its investment budget earlier than originally planned, and achieved the first-ever employee-approved wage freeze in the public sector in 2008. On the employment front, reduced labor costs due to the wage freeze and lowered entry-level salaries for university graduates enabled IIAC to boost its youth intern program to 5% of total workforce. We also provided jobs to more lower-income candidates by utilizing a portion of the Employee Welfare Fund, and increased the scale of outsourcing new recruits in our effort to create new jobs through "job sharing" schemes.

IIAC leads the way in pursuing and sharing mutual benefits with our partners. For all airlines and resident companies, we reduced landing charges by 10% and building rental fees by 20%. We also cut airlines' portion of transfer passenger safety inspection charges, lowered rental costs of commercial facilities by 10%, and reduced land rental rates.



Zero

Zero regulatory violations and external inspections thanks to steady "green airport" efforts.

GLOBAL AIRPORT COMPANY LEADING THE WORLD'S AIRPORT BUSINESS



Global IIAC 2015

Incheon International Airport will continue to sharpen its competitiveness as a hub airport by pursuing excellence in airport operations, expanding our world-class facilities, and providing unsurpassed customer service. We will also optimize management systems to improve efficiencies and seek opportunities abroad to enhance our corporate value and lay the foundation for sustained growth. With our global network and integrated support capacity to meet and exceed customers' needs, IIAC will present a new paradigm for airports of the future, and become a leader among airport operators in creating new excitement and value beyond the expectations of our stakeholders.





01 3RD-PHASE EXPANSION & RISING DEMAND TO ELEVATE HUB STATUS

Incheon International Airport will consolidate its position as a world-class hub airport by increasing transfer passengers and building a high-value added logistics base. In preparation for rising air travel demand, we will also carry out 3rd-Phase construction to expand airport facilities and develop differentiated services to take customer satisfaction to the next level.

Overview of Airport Expansion

Facility	1 st & 2 nd Phase (Present)	3 rd -Phase (2009-2015)	Aggregate	Final Phase
Site Area	21,292,000m ²	1,105,000m ²	22,397,000m ²	47,428,000m ²
Runways	3	-	3	5
Passenger Terminal	496,000m ²	350,000m ²	846,000m ²	1,146,000m ²
Concourse	166,000m ²	-	166,000m ²	166,000m ²
Aprons	Passengers	2,437,000m ²	648,000m ²	3,085,000m ²
	Cargo	737,000m ²	418,000m ²	1,155,000m ²
Handling Capacity (Annual)	Flights	410,000	-	410,000
	Passengers	44 million	18 million	62 million
	Cargo	4.5 mil. tons	1.3 mil. tons	5.8 mil. tons

3rd-Phase Construction to Meet Rising Air Travel Demand Despite the global economic downturn, airports throughout Northeast Asia are pushing ahead with large-scale expansion plans as they vie for the status of regional hub airport. Seeking to stake out an early lead, Incheon International Airport has commenced its 3rd-Phase Construction project earlier than scheduled. With an investment of KRW 4 trillion from 2009 to 2015, the 3rd-Phase expansion project involves construction of a second passenger terminal, large-scale expansion of existing facilities including the Cargo Terminal, aircraft aprons and access transportation facilities. The plan also envisions second-stage construction of the Airport Logistics Park, which will span 920,000 m² and become the center of a high-value added global logistics network. Once completed, 3rd-Phase Construction will boost Incheon International Airport's annual passenger-handling capacity from 44 million to 62 million, and cargo-handling capacity from 4.5 million tons to 5.8 million tons per year. In addition, 3rd-Phase Construction is projected to generate 80,000 new jobs, KRW 7.8 trillion in production-inducement effect, and KRW 3.3 trillion worth of value added.

Value-added Logistics Base & Increased Transfer Passenger Loads Incheon International Airport will enhance its profile as a world-caliber logistics hub airport by developing new business models to lure cargo traffic from China, which has shown strong growth in recent years. We will also transform the 2nd-Phase IIAC Free Trade Zone into a high-value added industrial cluster in pursuit of both qualitative and quantitative growth. Together with these strategies, IIAC will continue to focus aggressive marketing efforts on attracting transfer passengers from our core routes, including China, Japan and America. We will also encourage low-cost carriers, which are enjoying rapid demand growth amid increasing bilateral Open Skies agreements, to make Incheon their 'main hub' airport in order to strengthen our route network.

Customer Value Creation through Upgraded Services Seeking to extend our unbroken record of No.1 ratings in the Airport Service Quality Survey into our fifth straight year, IIAC will continue to upgrade customer services that create real value. By strengthening our U-Airport strategy aimed at making the airport experience faster and more convenient, we will steadily reduce average departure times with innovations in check-in and security screening processes. Additionally, we will strive to create emotional value and initiate new services by combining art & culture and the airport to distinguish and differentiate the IIAC brand.





02 OVERSEAS AIRPORT BUSINESS & AIR CITY — NEW GROWTH ENGINES

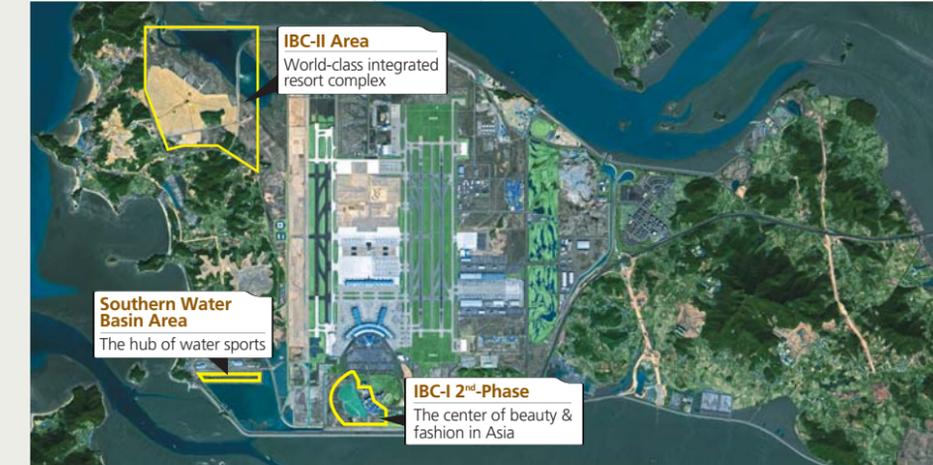
To secure new growth engines, IIAC will actively expand overseas airport projects, while contributing to the nation's economic advancement through the development of Air City, which will present a new paradigm for airports of the future.

IIAC's Forays into Overseas Market



Overseas Business Expansion In our quest to secure new engines of growth, Incheon International Airport is making aggressive forays into overseas markets, seeking to commercialize and export our world-class technology and knowhow gained from 1st and 2nd-Phase construction and operation. These efforts bore their first fruit as IIAC made its debut in the world airport market with an order for airport operations support from Iraq's Erbil Airport. Hereafter, we will concentrate on emerging markets that show high growth potential as we broaden the scope of our activities in the overseas airport market. Relying on thoroughgoing business feasibility analysis, IIAC will focus on opportunities in developing countries to market our technical support for airport operation, devise region-specific market entry strategies, and steadily build up our overseas business operations. Education is another key growth area. IIAC plans to become a global aviation education provider, offering over 30 specialized and intensive training programs on airport construction and operation, tailored to the needs of airport and related institutional personnel from around the world.

Major "Air City" Projects



Value-oriented Air City Development Beyond their function as transportation facilities, airports of the future will be seen as potential growth engines that create value by drawing together people and products. Utilizing idle land surrounding the airport, IIAC has created a development plan for "Air City," an integrated airport city consisting of areas for shopping, relaxation, sightseeing, entertainment, and conventions, and is attracting investors to develop three core clusters: International Business Center (IBC)-II, IBC-I 2nd-Phase, and Southern Water Basin Area. Once it opens in 2020, Air City will offer visitors with a whole new level of excitement and convenience, while becoming a new revenue generator as an international tourist destination and contributing to the nation's economic development.

OPERATIONAL STRATEGY



03 "GREEN AIRPORT" THROUGH SUPERIOR OPERATIONAL EFFICIENCY

IIAC will enhance efficiencies in airport operations, while maintaining our world-class safety and security systems. Furthermore, we will realize our vision of becoming a carbon neutral "Green Airport" through the implementation of environmentally friendly airport operation systems.



Increasing Efficiencies in Airport Facilities and Operations Incheon International Airport will maximize the efficiency of airport facilities, including the Concourse completed during the 2nd-Phase Construction, expand facilities capacity, and improve operational processes. Moreover, we will reduce costs by improving facilities maintenance and management, and through more efficient facility investment.

Optimizing Safety & Security Systems IIAC will strengthen aircraft safety operation systems and provide the highest level of flight safety services. We will also adopt the latest security equipment and strengthen the professionalism of security personnel, while implementing the most efficient security-related procedures to ensure total security level management. Safety management systems will also be reinforced, and accidents or crisis situations will be dealt with aggressively.

Green Growth Strategies & Road Map



Realizing Eco-Friendly Airport Operation In line with the Korean government's "Low Carbon, Green Growth" policy initiative, Incheon International Airport has devised mid- and long-term strategies to combat global climate change. To create a truly carbon-neutral "green airport" worthy of benchmarking by others, IIAC has established comprehensive strategies and selected green management, efficient energy conservation, energy self-reliance, and carbon neutral as priority areas. Additionally, the 2nd Passenger Terminal, to be built during 3rd-Phase Construction, will use alternative energy including solar power to boost energy efficiency. Around the airport, 18.4km of bicycle paths and maglev trains will also help IIAC become a world-leading eco-friendly "Green Airport." With a total investment of KRW 250 billion by the year 2020, our "Low- Carbon, Green Growth" strategies are expected to reduce CO₂ emissions by 7.21 million tons, generate KRW 2.5 billion in annual energy savings, and create some 20,000 new jobs.



04 **UPGRADING MANAGEMENT SYSTEMS & CREATING OPEN-DOOR CORPORATE CULTURE**

Incheon International Airport will establish advanced management system to boost enterprise-wide efficiencies, increase corporate value and lay a solid foundation for sustainable growth. We will also nurture the growth leaders of tomorrow and instill an open-door corporate culture.



Creating Advanced Management Systems Incheon International Airport plans to devise Enterprise Resource Planning (ERP) system based on enterprise-wide Process Innovation (PI). Moreover, to realize our "Vision 2015" objectives, we plan to carry out ongoing upgrades of our ERP system. Thus, we will encourage full-scale employee participation and utilize Change Management methodologies to implement the ERP system as early as possible. Along with system upgrades, we will continue to introduce a variety of advanced management techniques to improve management systems and facilitate IIAC's development into the world's top airport corporation.



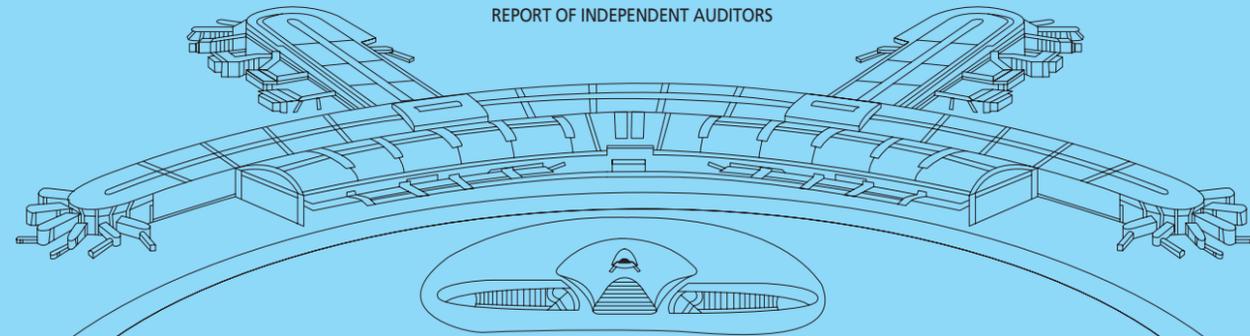
Growing Talent & Instilling an Open-Door Corporate Culture IIAC is fostering world-caliber talent to ensure we maintain our globally competitive position. We will strengthen core competencies according to job category, with particular emphasis on nurturing specialists in areas offering high growth potential, such as value-added logistics and the Air City project. Moreover, IIAC will boost profit creation by establishing a knowledge-based innovation system that facilitates knowledge product development for overseas business expansion, while improving corporate value through ongoing process innovation. We will pursue mutually beneficial labor-management relations built on shared core values and cooperation, and create a positive, trust-based and enjoyable workplace for every employee. At the same time, we will establish an open-door corporate culture for active communication with all stakeholders.



2008 FINANCIAL STATEMENTS

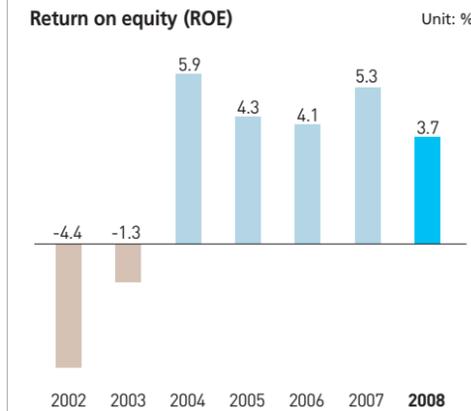
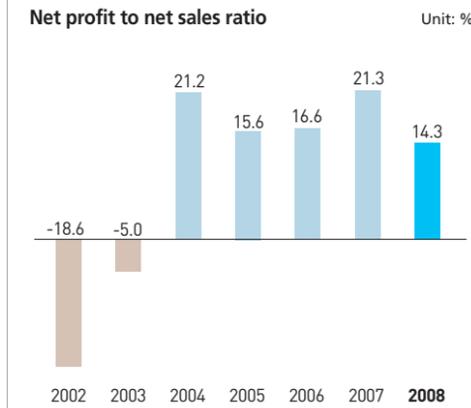


- KEY MANAGEMENT INDEX
- BALANCE SHEET
- STATEMENTS OF OPERATIONS
- STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
- STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
- STATEMENTS OF CASH FLOWS
- REPORT OF INDEPENDENT AUDITORS

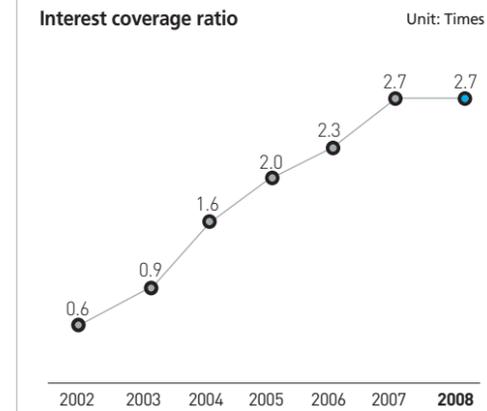
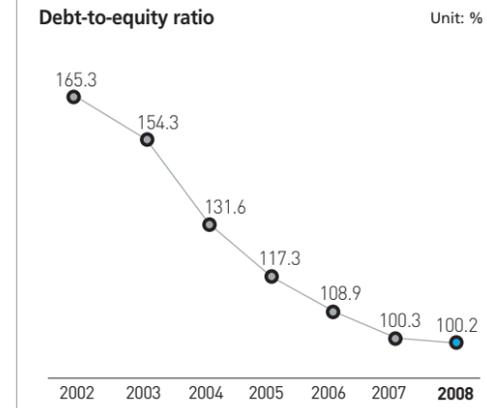


Key Management Index

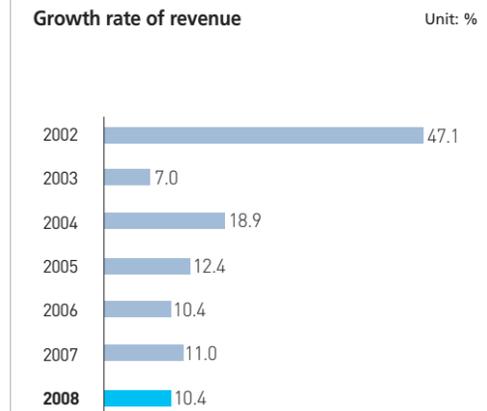
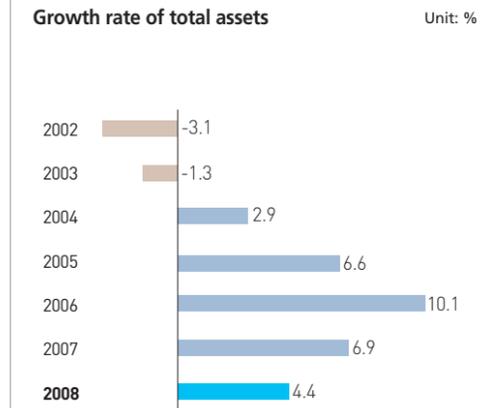
PROFITABILITY



STABILITY



GROWTH



Balance Sheet

December 31, 2008 and 2007

	<i>(in thousands of Korean won)</i>	
Assets	2008	2007
Current assets		
Cash and cash equivalents	3,477,638	1,481,391
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩ 4,718,743 thousand (2007: ₩ 2,993,850 thousand)	44,845,181	82,742,296
Other trade accounts and notes receivable, net of allowance for doubtful accounts of ₩ 9,095,532 thousand (2007: ₩ 6,280,439 thousand)	22,501,072	20,732,126
Prepaid expenses	3,090,026	2,837,817
Deferred income tax assets	46,086,507	2,432,515
Inventories	2,568,725	2,164,553
Others	174,774	382,936
Total current assets	122,743,923	112,773,634
Long-term financial instruments	1,167,619	1,166,599
Investment securities	4,015,420	3,982,530
Equity-method investments	23,804,507	25,469,266
Long-term loans	15,441,534	15,165,281
Guarantee deposits	2,172,083	34,930
Derivative financial instruments	172,047,851	12,754,165
Property and equipment, net	7,825,339,490	7,668,068,307
Intangible assets, net	43,274,485	28,112,854
Total other assets	8,087,262,989	7,754,753,932
Total assets	8,210,006,912	7,867,527,566

Balance sheet, Continued

December 31, 2008 and 2007

	<i>(in thousands of Korean won)</i>	
Liabilities and Shareholders' Equity	2008	2007
Current liabilities		
Short-term borrowings	60,007,804	230,544,000
Other accounts payable	128,982,257	190,073,237
Accrued expenses	12,026,274	14,313,039
Unearned revenue	63,117,053	49,171,569
Withholdings	9,524,185	7,103,246
Income taxes payable	65,400,736	57,472,973
Current portion of long-term borrowings, net of unamortized discounts	512,005,297	529,925,596
Others	1,136,264	3,067,454
Total current liabilities	852,199,870	1,081,671,114
Debentures, net of unamortized discounts	1,254,305,848	1,445,194,393
Long-term borrowings	1,076,834,224	834,274,121
Accrued severance benefits, net	5,066,398	13,811,516
Derivative financial instruments	1,433,008	15,929,897
Guarantee deposits received	753,863,716	513,138,643
Provision for litigation	2,100,000	614,153
Provision for tax	106,761,572	-
Deferred income tax liabilities	49,330,069	15,323,485
Others	8,020,849	20,271,060
Total liabilities	4,109,915,554	3,940,228,382

Balance sheet, Continued

December 31, 2008 and 2007

	<i>(in thousands of Korean won)</i>	
	2008	2007
Commitments and contingencies		
Shareholders' equity		
Capital stock		
Common stock	3,617,845,480	3,552,345,480
Capital adjustments		
Discount on stock issuance	(718,880)	(1,159,972)
Accumulated other comprehensive income and expense		
Capital change of securities under equity method	251,475	251,475
Gain on valuation of financial derivatives	992,582	2,264,145
Loss on valuation of financial derivatives	(12,308,311)	(3,912,381)
Retained earnings		
Legal reserve	3,623,969	-
Reserve for social overhead capital investments	66,047,000	66,047,000
Discretionary reserve	271,001,490	104,379,516
Unappropriated retained earnings	153,356,553	207,083,921
Total shareholders' equity	4,100,091,358	3,927,299,184
Total liabilities and shareholders' equity	8,210,006,912	7,867,527,566

Statements of Operations

Years ended December 31, 2008 and 2007

	<i>(in thousands of Korean won, except per share amounts)</i>	
	2008	2007
Sales	1,072,671,659	971,366,607
Cost of sales	580,240,071	436,913,436
Gross income	492,431,588	534,453,171
Selling and administrative expenses	88,583,683	73,829,481
Operating income	403,847,905	460,623,690
Non-operating income		
Interest income	2,247,826	1,547,270
Gain on valuation of equity-method investments	394,132	481,867
Gain on valuation of property and equipment	2,554,945	2,969,491
Gain on disposal of property and equipment	20,046,476	2,196,480
Gain on valuation of debentures	348,287	2,290,574
Gain on valuation of derivatives	188,031,377	12,493,968
Gain on derivative transactions	143,500	1,510,524
Reversal of allowance for doubtful accounts	-	372,404
Reversal of provision for litigation	-	1,065,296
Others	85,009,733	7,526,972
	298,776,276	32,454,846

Statements of Operations, Continued

Years ended December 31, 2008 and 2007

	<i>(in thousands of Korean won, except per share amounts)</i>	
	2008	2007
Non-operating expenses		
Interest expenses	147,884,559	168,396,561
Loss on foreign currency translation	177,843,191	13,425,905
Loss on valuation of equity-method investments	4,219,704	522,660
Loss on valuation of derivatives	2,006,888	2,886,478
Loss on derivative transactions	-	6,516,545
Loss on valuation of debentures	12,516,868	208,679
Loss on disposal of property and equipment	623,604	1,984
Donations	3,121,246	11,423,488
Others	45,500,150	3,428,705
	393,716,210	206,811,005
Income before income taxes	308,907,971	286,267,531
Income tax expenses	155,551,418	79,183,610
Net income	153,356,553	207,083,921
Basic earnings per share	214	300
Diluted earnings per share	214	300

Statements of Appropriations of Retained Earnings

Years ended December 31, 2008 and 2007

(Date of appropriations: March 30, 2009 and March 28, 2008 for the years ended December 31, 2008 and 2007, respectively)

	<i>(in thousands of Korean won)</i>	
	2008	2007
Retained earnings before appropriations		
Unappropriated retained earnings carried over from prior year	-	-
Net income	153,356,553	207,083,921
	153,356,553	207,083,921
Transfer from discretionary reserve	-	-
	153,356,553	207,083,921
Appropriation of retained earnings		
Discretionary reserve	2,677,206	3,623,969
Dividends		
Cash dividends	26,772,056	36,239,686
Dividends(ratio) per share		
Common stock:		
₩37 (0.7%) in 2008,		
₩51 (1.0%) in 2007		
Discount on stock issuance	454,080	598,292
Reserve for business expansion	123,453,211	166,621,974
	153,356,553	207,083,921
Unappropriated retained earnings carried forward to subsequent year	-	-

Statements of Changes in Shareholders' Equity

Years ended December 31, 2008 and 2007

	<i>(in thousands of Korean won)</i>				
	Capital stock	Capital adjustment	Accumulated other comprehensive Income and expense	Retained earnings	Total
Balances as of January 1, 2007	3,352,345,480	(1,248,197)	1,089,849	170,994,741	3,523,181,873
Issuance of stocks	200,000,000	-	-	-	200,000,000
Discount on stock issuance	-	(480,000)	-	-	(480,000)
Net income	-	-	-	207,083,921	207,083,921
Amortization of discount on stock issuance	-	568,225	-	(568,225)	-
Change in equity from equity method	-	-	(99,067)	-	(99,067)
Cash flow hedge	-	-	(2,387,543)	-	(2,387,543)
Balances as of December 31, 2007	3,552,345,480	(1,159,972)	(1,396,761)	377,510,437	3,927,299,184
Balances as of January 1, 2008	3,552,345,480	(1,159,972)	(1,396,761)	377,510,437	3,927,299,184
Dividends	-	-	-	(36,239,686)	(36,239,686)
Issuance of stocks	65,500,000	-	-	-	65,500,000
Discount on stock issuance	-	(157,200)	-	-	(157,200)
Net income	-	-	-	153,356,553	153,356,553
Amortization of discount on stock issuance	-	598,292	-	(598,252)	-
Cash flow hedge	-	-	(9,667,493)	-	(9,667,493)
Balances as of December 31, 2008	3,617,845,480	(718,880)	(11,064,254)	494,029,012	4,100,091,358

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	<i>(in thousands of Korean won)</i>	
	2008	2007
Cash flows from operating activities		
Net income	153,356,553	207,083,921
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	231,960,820	173,736,719
Amortization of intangible assets	10,803,770	9,788,929
Provision for severance benefits	4,947,320	7,935,676
Bad debt expense	4,539,986	820,223
Foreign translation loss, net	177,449,059	12,944,038
Loss on disposal of property and equipment	623,604	1,984
Loss on equity method investment	4,219,704	522,660
Loss on valuation of derivatives	2,006,888	2,886,478
Loss on valuation of debentures	12,516,868	208,679
Interest income	-	(2,177)
Gain on valuation of debentures	(348,287)	(2,290,574)
Gain on equity method investment	(2,554,945)	(2,969,491)
Gain on disposal of property and equipment	(20,046,476)	(2,196,480)
Gain on valuation of derivatives	(188,031,377)	(12,493,968)
Reversal of allowance for doubtful accounts	-	(372,404)
Others	97,537,945	101,075
	335,624,879	188,621,367

Statements of Cash Flows, Continued

Years ended December 31, 2008 and 2007

	<i>(in thousands of Korean won)</i>	
	2008	2007
Changes in operating assets and liabilities		
Decrease(increase) in accounts receivable	36,172,221	(13,452,944)
Decrease(increase) in other accounts receivable	(4,584,039)	9,885,860
Increase in inventory	(404,172)	(152,401)
Decrease(increase) in advanced payments	238,437	(288,867)
Increase in prepaid expense	(252,209)	(1,326,194)
Decrease(increase) in deferred tax assets	(9,822,781)	(1,409,452)
Increase in derivatives assets	(95,338,724)	-
Decrease(increase) in other assets	(6,569,316)	434
Increase(decrease) in derivatives liabilities	98,224,020	(9,033,991)
Decrease in other accounts payable	(61,957,492)	(49,037,421)
Decrease in accrued expenses	(2,286,765)	(8,838,099)
Increase in unearned revenues	12,341,313	3,524,550
Decrease in advances from customers	(943,599)	(511,094)
Increase(decrease) in withholdings	2,420,940	(10,407,743)
Increase in income taxes payable	7,927,763	10,107,031
Payment of severance benefits	(7,182,381)	(4,358,804)
Decrease in long term unearned revenues	-	(802,085)
Increase in guarantee deposits received	-	368,965,842
Increase in other liabilities	239,737,481	894,538
	207,720,697	293,759,160
Net cash provided by operating activities	696,702,129	689,464,448

Statements of Cash Flows, Continued

Years ended December 31, 2008 and 2007

	<i>(in thousands of Korean won)</i>	
	2008	2007
Cash flows from investing activities		
Proceeds from disposal of short term financial instrument	557,438	-
Proceeds from disposal of long term financial instruments	-	2,500,000
Proceeds from disposal of property and equipment	23,256,090	3,248,650
Decrease in guarantee deposits	15,842	2,189,746
Receipt of customers' contribution to construction costs	126,822	396,622
Receipt of government subsidy	-	135,000
Payment of guarantee deposits	(2,152,995)	(32,456)
Acquisition of held-to-maturity securities	(33,540)	(83,030)
Acquisition of property and equipment	(416,871,895)	(687,794,576)
Acquisition of intangible assets	(2,285,552)	(838,576)
Other, net	(803,734)	250,978
Net cash used in investing activities	(398,191,524)	(680,027,642)
Cash flows from financing activities		
Issuance of short-term borrowing	1,231,474,680	3,788,979,000
Issuance of long-term borrowing	510,000,000	616,978,968
Proceeds from issuance of debentures	-	223,371,721
Issuance of stock	65,500,000	200,000,000
Payment of short-term borrowing	(1,402,010,876)	(4,048,707,456)
Payment of current portion of long term borrowing	(665,081,276)	(613,183,000)
Payment of dividends	(36,239,686)	(185,000,000)
Payment of issuance fee	(157,200)	(480,000)
Net cash used in financing activities	(296,514,358)	(18,040,767)
Net decrease in cash and cash equivalents	1,996,247	(8,603,961)
Cash and cash equivalents		
Beginning of the year	1,481,391	10,085,352
End of the year	3,477,638	1,481,391

Report of Independent Auditors

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To the Board of Directors and Shareholder's of Incheon International Airport Corporation

We have audited the accompanying balance sheets of Incheon International Airport Corporation as of December 31, 2008 and 2007, and the related statements of operations, statements of appropriations of retained earnings, statements of changes in shareholder's equity and statements of cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in conformity with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managements, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Incheon International Airport Corporation as of December 31, 2008 and 2007, and the results of its operations, the changes

in its retained earnings, the changes in its shareholder's equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholder's equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea
March 5, 2009

This report is effective as of March 5, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

AN AIRPORT UNLIKE ANYTHING THE WORLD HAS EVER SEEN

Offering an experience unmatched by any other airport ~
Providing value and satisfaction that only we can deliver ~
Generating new demand as the focal of the national economy ~
Earning the trust and pride of the entire country.

An airport the entire nation takes pride in,
An airport the whole world wants to visit,
An airport benchmarked by all others,
An airport where everyone feels like family.

Now and forever, Incheon International Airport awaits you.

