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Press Release

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Impact of Kumho Asiana Group's Restructuring and Future Actions

Summary

Kumho Asiana Group and its main creditor Korea Development Bank (KDB) announced a set of measures Wednesday (December 30, 2009) to restructure the business group's major subsidiaries. The following is the summary of the measures agreed and settled between the Kumho Asiana Group and its creditors.

- Kumho Industrial and Kumho Tires will be placed under creditor-led joint management based on the Corporate Restructuring Promotion Act
- Kumho Petrochemical and Asiana Airlines will make rigorous self-rescue efforts to normalize their business
- As much as 50% plus one share of Daewoo Engineering and Construction will be sold to KDB-led private equity fund
- Kumho Life Insurance will be sold to a private equity fund which will be jointly established by KDB and Consus Asset Management

The restructuring of Kumho Asiana Group's subsidiaries will be made through rigorous self-rescue efforts with an aim for a swift turnaround of management, which include a sale of subsidiaries and, under the responsibility of major shareholders, the provision of stock and assets for collateral to creditors.

Impact of the restructuring

The direct impact of the restructuring of Kumho Asiana's two subsidiaries, Kumho Industrial and Kumho Tires is expected to be not great on the soundness of financial companies and markets.

The amount of credit extended by financial companies to Kumho Asiana Group totals KRW15.7 trillion involving KRW10.1 trillion in loans, KRW1.2 trillion in corporate bonds, CP and other securities, and KRW4.4 trillion in payment guarantees and others. Put back options of KRW2.6 trillion to be exercised by financial companies and the PF guarantees of KRW2.7 trillion are not included in this total credit. The total lending that financial companies have directly extended to the two Kumho Asiana subsidiaries under restructuring is KRW3.0 trillion including KRW2.3 trillion by banks. When the total of put back options and PF guarantees are included, the total credit amounts to KRW8.4 trillion including KRW5.5 trillion borne by banks. The amount of additional loan loss provisions required for financial companies is estimated at KRW1.7 trillion including KRW1.2 trillion for banks.

The current size of their net profits should allow them to absorb the level of the additional provisions caused by the two Kumho Asiana companies in workout. Net profits of banks were reported to have totaled KRW4.9 trillion during the first nine months of this year and are on the rise with KRW0.6 trillion in the first quarter, KRW2.1 trillion in the second and KRW2.3 trillion in the third. BIS capital ratio of banks is estimated to fall by 0.1 percentage points from 14.1% as of end-September 2009. Ratio of SBL (substandard or below loans) will climb by 0.24 percentage points from 1.48% as of end-September 2009.

The outstanding amount of corporate bonds and CP issued by Kumho Asiana Group totaling KRW2.9 trillion and KRW1.6 trillion respectively accounts for a paltry 2% of the market. The amount of the group-issued corporate bonds and CP included in the fund portfolios comes to as little as KRW0.2 trillion, or 0.2% of the total asset under management.

It should be assured, however that preparations are in place to brace for the possibility of increased volatility in financial markets caused by stock market falls and liquidity deterioration of some subcontractors.

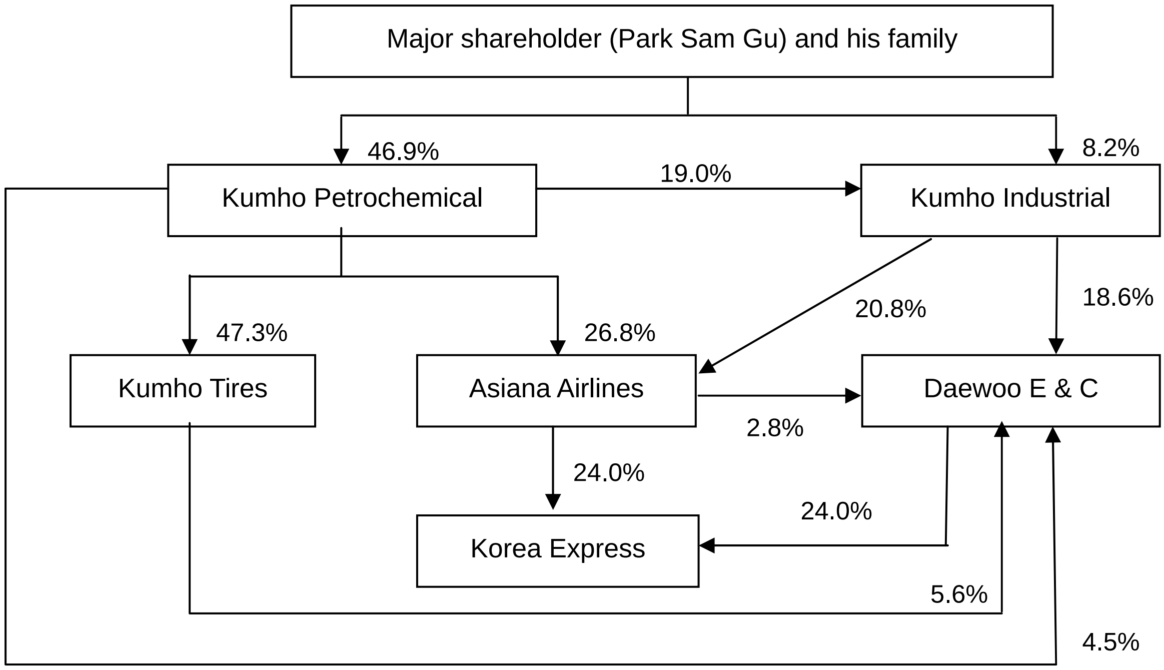
Future Actions

With the workout program on Kumho Asiana Group settled, a great deal of uncertainty, which has weighed on the financial markets caused by put back options that Kumho Asiana Group made with its creditors, is expected to be cleared off. Financial authorities will make sure that the development of the restructuring is set tight on track as planned and stem the financial markets from going unstable.

Financial authorities will put forth a set of measures to secure the stability of the financial markets, while strengthening the monitoring tab on them. The strengthened monitoring will focus on the movements of financial markets and soundness of financial companies which are heavily exposed to Kumho Asiana Group. When needed, the Corporate Restructuring Fund, the Bond Market Stabilization Fund and the Bank Recapitalization Fund will be mobilized to ensure the stability of the financial markets.

In the case that temporary financial shortages occur for subcontractors which are mostly small companies, pro-active actions will be readily made to help ease their financial woes. Tight monitoring will be constantly conducted on the financial conditions of subcontractors so that supportive measures will be activated in time through SME Financial Consulting Center established at the Financial Supervisory Service. For those that suffer temporary liquidity shortages, an extension of loan maturities and other supportive measures will be provided through the fast track program. The extension of “special payment guarantees” by guarantee institutions may be under consideration, if needed, after a review of financial conditions of subcontractors.

Corporate Governance Structure of Kumho Asiana Group



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