

ASIANA AIRLINES
SUSTAINABILITY REPORT 2012

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Overview

2012 Asiana Airlines Sustainability Report is published to provide stakeholders with information about its major sustainability management performances in 2011 combined with the materiality test results based on media research, and internal and external stakeholder surveys to incorporate a range of opinions on the company's sustainability management from varied perspectives.

Standards & Scope

This report includes economic, environmental and social performances and other relevant information of Asiana Airlines on the basis of business performance of all worksites. The 2012 sustainability report was written in accordance with the GRI Guideline (G3.1), ISO 26000, and internal reporting rules.

Reporting Period

This report covers from January 1, 2011 to December 31, 2011 with some parts cover information updated until April 2012.

Information Disclosure

Information contained in this report can be also found in the Electronic Disclosure section of the Financial Supervisory Service homepage(<http://dart.fss.or.kr>) and Corporate Information-Green Managememt-Sustainability Report section of the Asiana Airlines homepage(<http://flyasiana.com>).

※ Company information such as corporate governance and financial structure is based on statistics available as of December 2010. The information can be subject to change after its publication.

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Asiana Airlines will fly with customers toward a beautiful future

Let me first begin by extending my deepest gratitude to all of you for sending unwavering support and trust to Asiana Airlines last year. As part of efforts to repay your support and trust, Asiana Airlines continues reinventing its service and safety to secure strong competitiveness that sets it apart from others, creating corporate value as the top performer in the airline industry by realizing customer satisfaction with top safety and service.

In 2011, the airline industry sustained a series of heavy blows ranging from the eastern Japan earthquake, oil price hike and financial crisis in Europe, all of which conspired to cast strong uncertainty over the global market. However, amidst such difficult business environment, Asiana Airlines achieved an all-time high record with its passenger transport during the summer peak exceeding 50,000 passengers per day, and its international flight passengers exceeding 10 million in December for two consecutive years. Asiana Airlines was also highly recognized for its service. It ranked the first in the top three customer satisfaction surveys of Korea and received the 2011 Airline of the Year award from the world-class business travel magazine, Global Traveler, entrenching itself firmly as the best airline by receiving the award for three consecutive years: first from ATW in 2009, and second from Skytrax in 2010. The Golden Grand Slam makes Asiana Airlines as one of the best airlines in the world, recognized for its highest quality service and safety.

Asiana Airlines leads a range of campaigns to spread love among its neighbors and protect the one and only earth. After joining the UN Global Compact in 2007, Asiana Airlines has been in compliance with its 10 principles including human rights, labor, environment, anti-corruption and others. It has also been highly proactive in making social contributions through varied efforts going beyond

national boundaries such as installing solar-powered street lights around Angkor Wat in Cambodia, the Saek-dong(traditional color stripes of Korea) Village project in the Philippines, house building in Vietnam, and the campaign to knit baby hats.

In the area of green management, Asiana Airlines launched campaigns to enhance community environment, and went on to introduce Eco-Flight in 2010 which is designed to encourage customer engagement in practicing green travel and low-carbon operation. Recognized for its sustained endeavors for green management and the vision of becoming a truly beautiful company, Asiana Airlines has been announced as a leader in the air transport business by the Dow Jones Sustainability Index Certification for three years in a row and given Millennium Development Goal Award at the 2011 UN Global Compact Awards.

In 2012, Asiana Airlines will go beyond its successful financial performances and extend its roles in customer satisfaction, ethical management, environment and social contribution to create social values with the corporate aim of developing into a truly sustainable enterprise. We'd like to ask for your unreserved support and encouragement when we embark on this journey marching toward the great vision.

Thank you.

Young-doo Yoon
President & CEO



Asiana aspires to enhance customers’ quality of life and contribute to making a more beautiful world.

Flight Routes

New Passenger Flight Routes	Incheon-Istanbul (Mar 29), Busan-Ho Chi Minh / Busan-Hanoi (June 1), Gimpo-Beijing (July 1), Incheon-Honolulu (Sep 18), Incheon-Da Nang (Dec 14)
More Frequent Flights	Incheon-San Francisco (1 flight per day, May 25) / Incheon-Ho Chi Minh(2 flights per day, June 23) / Incheon-London(1 flight per day, Oct 30)
Cargo Flight Launching	Incheon-Nagoya-Incheon(June 25), Incheon-Miami-Atlanta-Portland-Incheon (Sep 1)

Aircraft

New Aircraft	A321 (3 aircrafts), A330 (1 aircraft), B777 OZ Quadra Smartium renovation (2 aircrafts) Aircraft Purchasing Agreement: A380 (6 aircrafts)
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Marketing

Digital marketing	The 1st airline to launch mobile web service
Brand marketing	Products designed for Chinese customers ▶ Jeju flier, IT tour Asiana Dream Wings Program ▶ A project to support college students to realize their dream



Asiana is committed to growing into a company held in high regard for its sustainable practices that create values for all of its stakeholders.

Safety

Simulator Training for Pilots	Simulator for all aircraft types (introduction of A330 Simulator)
Quality Management for Safe Flight	Line audit introduction, stricter internal inspection
Maintenance for Higher Safety	Removal of potential risk factors and equipment for better safety ¹⁾

1) SATCOM(Satellite Communication) in B747 (2 units), FSS(Fail Safe Strap) upgrade in B767 (3 units), GPS(Global Positioning System) in B767 (3 units)

Service

Slogan	“Always with you”
Standardization	Standards for airport service, regular meetings for better service
Tailored Service	Family-friendly service : 孝(filial piety) service, service for the physically challenged : Hansarang Lounge
Customer Self-Service	Kiosk upgrades and expansion (6 units)
Convenience Service	Information system for customers in waiting (Gimpo, Jeju)

Green Management

Eco-Flight Brand Reinforcement	More structured GHG reduction initiatives, green campaigns engaging customers (Eco-City Tree Planting in Tianjin, China/ Green School)
Carbon regulation	Verification, data submission, completion of allocation GHG Information System
Carbon Labeling	Certification of Gimpo-Jeju(60kg CO ₂ /person)

Social Contribution

Projects in Partnership with KOICA	Solar-powered street lights in Cambodia Saek-dong Village Project in the Philippines
Emergency Disaster Relief	Relief supplies delivery to areas affected by earthquakes in Japan, and floods in Thailand Joint Charity Bazaar (with ANA), Love House Project in Vietnam

Material Issues Identification Process

Asiana Airlines has undertaken the following analyses to derive key issues that have to be taken into consideration when developing sustainability management initiatives.

1. Media Analysis

To identify key issues with regard to external awareness about Asiana Airlines and sustainability management, a total of 3,523 articles written between 2009 and 2011 were analyzed.

2. Stakeholder Engagement

① External Stakeholder Engagement

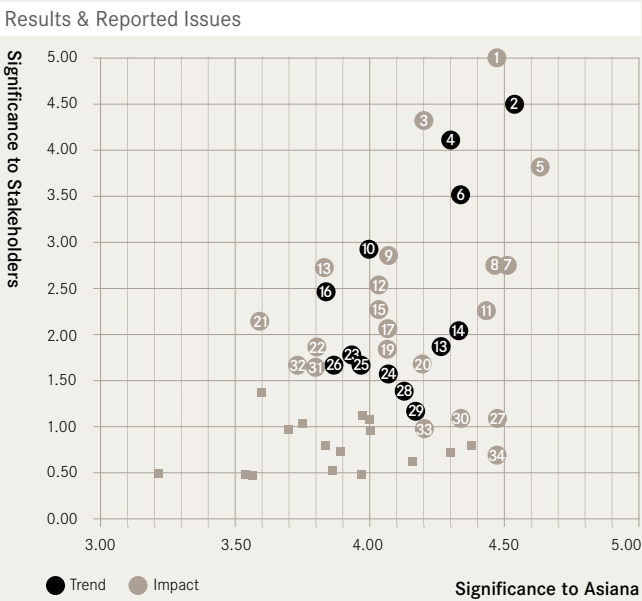
Asiana Airlines utilized the 2011 KSI survey* conducted by KSA (Korean Standards Association) to understand stakeholder issues and interest. A total of 145 respondents (customers 78%, community residents 9.9%, investment agencies 5%, media 2.1%, etc) participated in the survey and its results were studied to derive 75 issues of relevance.

② Internal Stakeholder Engagement

A survey is conducted on the issues of relevance derived from media research and the KSI survey for internal employees to use the results as the basis for significance assessment.

3. Materiality Test

Materiality test, which consists of relevance and significance assessment, was conducted to finalize 34 trend and impact issues which had earned 2.6 points or more on a scale of 1 to 5 in terms of significance. The screened issues of significance were then compiled into a final report.

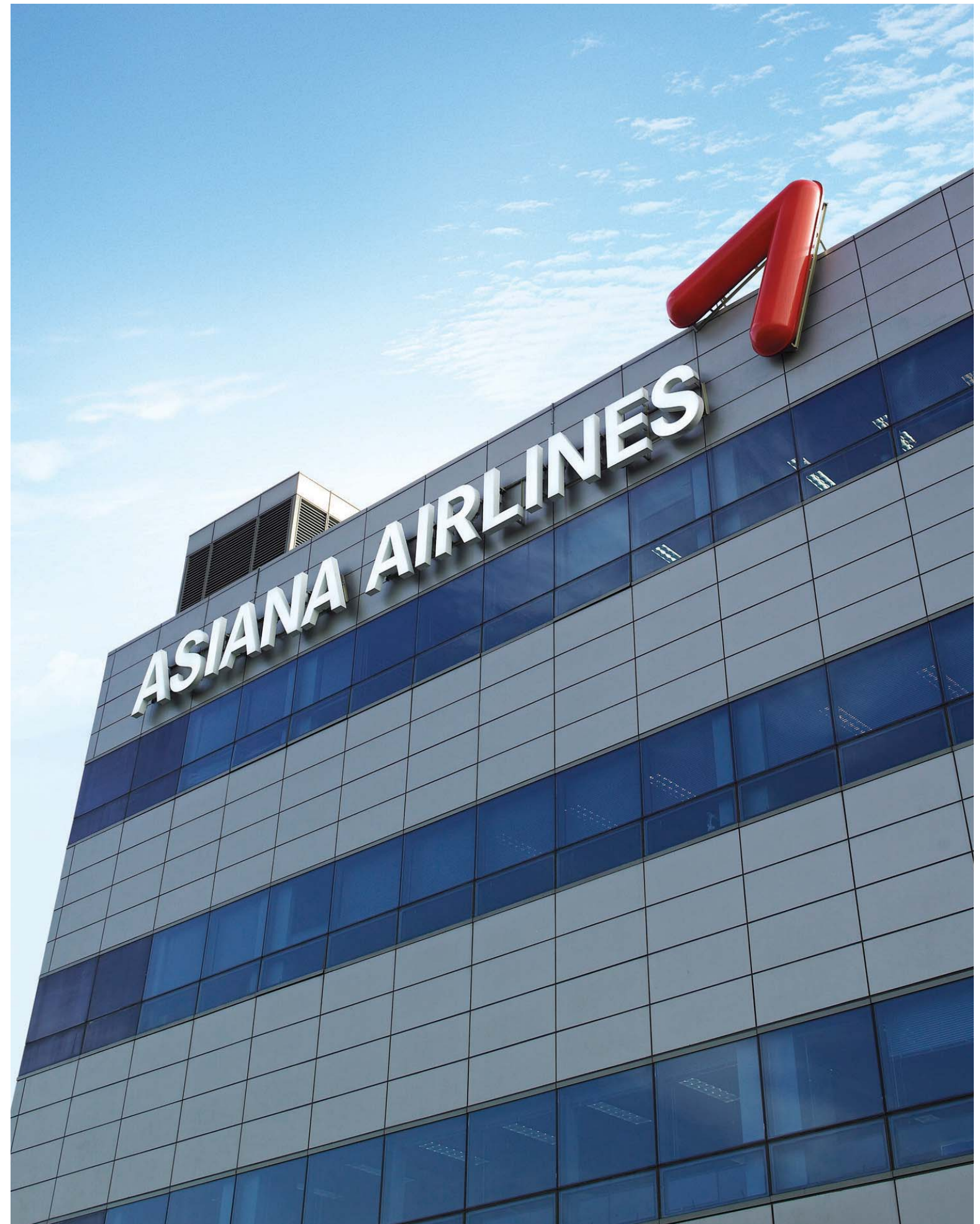


1	Diversified customer demands	4.74
2	Management transparency	4.50
3	Heightened competition	4.27
4	Protection of consumer health and safety	4.21
5	Increased demand for product/service safety	4.20
6	Consumer service/support, efforts to redress consumer grievancegrievance grievance	3.96
7	Increased demand for corporate transparency	3.62
8	Increased demand for customer information security	3.62
9	Accelerated technology development	3.45
10	Fair competition	3.44
11	Importance of talent recruitment	3.33
12	Climate change (global warming)	3.30
13	Increased demand for fair competition/inclusive growth	3.26
14	Fair employment and employment security	3.20
15	Increased demand for fair transaction	3.15
16	Efforts to mitigate climate change	3.13
17	More interdependency due to globalization	3.09
18	Protection of consumer data/privacy	3.07
19	Social responsibility within the corporate realm	2.96
20	More responsibility of the board of directors	2.92
21	Participation in community development	2.86
22	Efforts to protect environment and restore natural habitat	2.85
23	Growth of emerging markets(BRICS, etc)	2.84
24	Corporate social protection	2.84
25	Prevention of environment pollution	2.82
26	Support for social investment by communities	2.78
27	Easy access to corporate information (Internet, SMS, etc)	2.76
28	Job creation opportunity	2.73
29	Talent development and training opportunity in workplaces	2.72
30	Increase in consumers who value health/environment/ community	2.72
31	Depletion of natural resources (water, minerals, fossil fuels, etc)	2.71
32	Contribution to community education and cultural development	2.69
33	Fair marketing practices (fact-based and fair information provision and transaction)	2.65
34	Anti-corruption	2.61

* KSI (Korea Sustainability Index) : An index that shows how agile a company is in understanding and coping with sustainability trend, and how proactively it manages and improves the impact corporate decisions and business activities have on society and environment. Experts are enlisted for each sector of economy, society and environment along with consumers, suppliers, community residents, and NGOs.

OVERVIEW

Under the business credo,
“customer satisfaction through maximum safety and the best service”,
Asiana people are dedicated to creating the best corporate values
in the industry.



COMPANY OVERVIEW

Company Overview

Corporate Mission

Offering the fastest, safest and most comfortable flight to the destination on time

Business Credo

Customer satisfaction through maximum safety and the best service

Business Philosophy

Social contribution through expansion of employment and rational management

Asiana Airlines, which started its service with the business credo of “customer satisfaction through maximum safety and the best service” in 1988, has grown to a global airline which operates 71 aircrafts as of 2012 flying to every corner of the world. By announcing finding a new growth engine and driving creative innovation as the management direction for 2012, Asiana Airlines aspires to become the best airline in the world that strives to achieve ethical, green, and win-win management while fulfilling its social responsibilities, going beyond the usual objective of customer satisfaction and safe flight.

Asiana Vision : Best Value Creation

Determined to offer the safest and best service to customers, Asiana Airlines aspires to create the best corporate value as the no. 1 company in the airline industry by offering the highest customer satisfaction through sustainable management driving consistent profit creation, social contribution and green management.

Company Introduction

Company Name	Asiana Airlines
Date of Establishment	Feb. 17, 1988
Address (Headquarters)	Asiana Town, 47 Osoe-dong, Gangseo-gu, Seoul, Korea
President & CEO	Young-doo Yoon (尹永斗)
Type of Business	Air transport
Revenue	KRW 5,331,003 million
EBIT	KRW 343,371 million
Employees	9,073 persons
Aircraft Fleet	71 aircrafts



Aircraft Fleet

(71 in total/ 62 passengers, 9 cargoes)		
	B747-400 (4 passengers/ 8 cargoes)	B777-200ER (11 passengers)
Seating Capacity	359/264(Combi)	262/295/299/300
Maximum CruiseAltitude(m)	13,746	13,137
Optimum Cruise Speed(Km)	907	894
Cruise Distance with Maximum Passengers(km)	12,890/ 13,297(Combi)	11,732/ 12,408/ 13,149
	B767-300 (7 passengers/ 1 cargo)	B737-400 (2 passengers)
Seating Capacity	250	162/160
Maximum CruiseAltitude(m)	13,137	11,278
Optimum Cruise Speed(Km)	853	790
Cruise Distance with Maximum Passengers(km)	7,538/6,695	1,463
	A330-323 (10 passengers)	A321-131 (2 passengers)
Seating Capacity	290/275	200
Maximum CruiseAltitude(m)	12,634	12,131/ 11,918
Optimum Cruise Speed(Km)	876	841
Cruise Distance with Maximum Passengers(km)	9,630/9,445	2,092
	A321-231 (15 passengers)	A320-232 (11 passengers)
Seating Capacity	195/ 191/ 177 / 171	162/ 146 / 143
Maximum CruiseAltitude(m)	12,131/ 11,918	12,131
Optimum Cruise Speed(Km)	841	841
Cruise Distance with Maximum Passengers(km)	4,797/ 4,592/ 4,232	4,611/ 4,000

Corporate History

- Dec. 1988 Inaugurated the 1st domestic flight
- Jan. 1990 Inaugurated the 1st int'l flight
- Feb. 1994 Launched “Change for Good” with UNICEF
- Jan. 1995 Introduced the non-smoking policy to all flight routes
- Sep. 1996 Accredited with ISO 14001 (Environmental Management System)
- Apr. 1998 Relocated the headquarters (Hoehyun-dong ► Asiana Town in Osoe-dong)
- Dec. 1998 Operated the presidential airplane for the 1st time
- Dec. 1999 Listed on KOSDAQ

1988

- June. 2000 Launched the historic 1st flight to North Korea (non-stop route between Seoul and Pyeongyang)
- Dec. 2001 Opened a hangar at Incheon Int'l Airport
- May. 2002 Joined IATA(International Air Transport Association)
- Mar. 2003 Joined Star Alliance

2000

- June. 2005 Won Best Flight Attendants Award in 2005 from Skytrax
- Feb. 2006 Introduced a new CI (corporate identity)
- Feb. 2007 Reinforced strategic alliance by extending code-share with ANA
- June. 2008 Received Presidential Prize at the 2008 National Environmental Management Award
- Feb. 2009 Named the Airline of the Year for 2009 by ATW
- Apr. 2009 Won grand prize for big business at the Korea Ethical Management Award

2005

- May. 2010 Named the Airline of the Year by Skytrax
- July. 2010 “Change for Good” fund for UNICEF exceeded KRW 5 Bn
- Mar. 2011 Ranked no. 1 at the international flight service sector of NCSI (National Customer Satisfaction Survey)
- Oct. 2011 Ranked no. 1 at the aviation service sector of DJSI (Dow Jones Sustainability Index) for 3 years in a row
- Dec. 2011 Airline of the Year (Global Traveler)

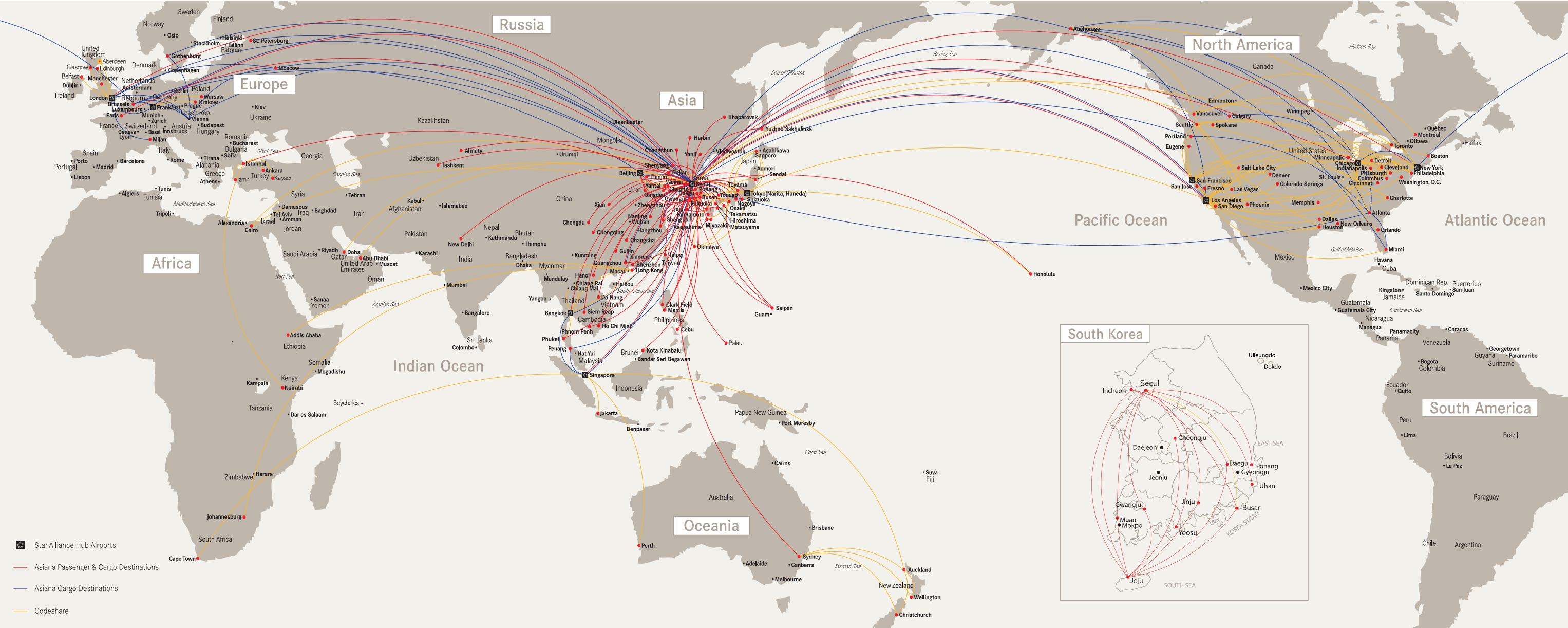
2010

COMPANY OVERVIEW

Global Network

Asiana Airlines owns 71 aircrafts in total consisting of 62 passenger aircrafts and 9 cargo aircrafts (as of December 2011) and regularly operates aircrafts on 14 routes to 12 cities for domestic passenger flights, on 85 routes to 67 cities in 22 countries for international passenger flights, and on 23 routes to 25 cities in 13 countries for international cargo flights.

In addition, the company operates international flight code-share with 24 airlines including ANA (All Nippon Airways), Air China, Singapore Airlines, United Airlines, Thai Airways and Air New Zealand. Asiana Airlines has established the global network that connects 1,290 airports in 189 countries across the globe through Star Alliance, the world's largest airline network.



COMPANY OVERVIEW

Corporate Governance

Major & Other Shareholders		
Shareholder Name	Ownership (%)	Owned Shares (Unit: 1,000 shares)
Kumho Industrial Co., Ltd	32.02	58,688
Kumho Petrochemical Co., Ltd	13.42	24,593
Korea Development Bank	6.66	12,200
Others	47.91	87,825

BoD Composition & Activities

BoD Operation

Information on BoD Operation
Intent : Define related work process on BoD(Board of Directors) formation and operation
Composition : Consist of directors with 1 chairman and CEOs according to the BoD agreement
BoD Chair : Chairman or the director designated by Chairman

BoD Committee

Members			
Committee	Member Name	Committee	Member Name
Outside Director Recommendation Committee	Yoon, Young-doo	Audit Committee	Im, In-taek (Outside Director)
	Han, Chang-su		Park, Young-cheol (Outside Director)
	Im, In-taek (Outside Director)		Lee, Deok-hun (Outside Director)
	Jeong, Chang-young (Outside Director)		

Establishment & Composition of Outside Director Recommendation Committee
According to relevant laws, the articles of incorporation and the BoD provisions, more than half of the members of the Outside Director Recommendation Committee, established to recommend candidates for outside directors, has be outside directors as stated in Section 8, Article 542 of the Commercial Act. As of December 31, 2011, there were a total of four members in the committee with two of them as inside directors(Young-doo Yoon and Chang-su Han) and the other two as outside directors(In-taek Im and Chang-young Jeong).

Director Appointment & Composition					
Name	Title	Objective	Recommendor	Task Scope	Note
Yoon, Young-doo	CEO	In charge of overall business activities and external relations of the company for stable operation	BoD	Oversight/ supervision	
Han, Chang-su	CEO				
Ryu, Gwang-hui	Director				
Ki, Ok	Director	In charge of external relations for stable operation		External relations	
Im, In-taek	Outside Director	Expert in aviation and transport	Outside Director Recommendation Committee	Advice on aviation industry	
Park, Young-cheol	Outside Director	Expert in economics		Advice on international economics	
Jeong, Chang-young	Outside Director			Management consultation	Mar. 25, 2011 Re-appointed
Lee, Deok-hun	Outside Director			Financial consultation	
Lee, Seong-geun	Outside Director	Legal expert		Legal consultation	
Jeong, Gun-young	Outside Director	Financial expert		Financial consultation	Mar. 25, 2011 Newly appointed

Note] 1. Execution of authority by an outside director : In accordance with BoD/Audit Committee rules of the company

Independence of Directors

Independent Director Election & Criteria
Inside directors are appointed by the BoD recommendation, and outside directors have to be first recommended by the recommendation committee and win the unanimous support of the company directors. In compliance with relevant laws, information about the candidates is fully disclosed and announced to shareholders and stakeholders before the general meeting of shareholders for responsible management.

Executive Compensation

Compensation for Executives					
Compensation for directors and inspectors including total paid salary and other payments approved at the general shareholders' meeting					
(Unit : KRW 1,000)					
Category	Total Compensation	Approved by Shareholders	Average Payment per Director	Total Fair Value of Stock Options	Note
Inside Directors	608,526	2,700,000	152,132		4ppl
Outside Directors	280,000	2,700,000	46,667		6ppl

Note] 1. The amount approved by shareholders above is the combined amount of payments for inside directors and outside directors. 2. Average payment per director was calculated by dividing the total payment with the number of directors (specified in the Note) at the end of the period.

COMPANY OVERVIEW

Ethical Management

Asiana Airlines works strenuously to earn trust and respect from its stakeholders by practicing ethical management. It complies with the market ethics while adopting responsible practices as one of its core principles by recognizing ethical responsibilities expected of a business as its basic duty. In other words, Asiana Airlines fulfills economic, legal, ethical, and even philanthropic responsibilities of a company going beyond a mere compliance with laws and regulations.

For proactive implementation and promotion of ethical management, the Supervisory Office on Corporate Ethics has been established directly reporting to CEO. In addition, the company defines detailed action plans based on the established and announced code of ethics and ethical provisions, which serve as guidance for employees when they evaluate their own conduct and decisions.

Mid-to Long-Term Implementation Plan for Ethical Management			
Phase 1 (2009-2011)	Phase 2 (2012-2013)	Phase 3 (2014-2015)	
Introduce ethical management	Stabilize ethical/transparent management	Establish itself as ‘Beautiful Company’	500-Year Lasting Company
<ul style="list-style-type: none">• Periodic/planned inspection• Inspection module establishment/improvement• Operation of an internal report office• Streamlining of ethical provisions/regime• Introduction of the ethics index• Better trainings on ethical management	<ul style="list-style-type: none">• Risk management• Facilitation of the internal report office• Ethical index evaluation• Stronger commitment to ethical management	<ul style="list-style-type: none">• Better corporate image• Reinforced supervision for accident prevention• Establishment of corporate culture(7 initiatives to become Beautiful Company)• Implementation of the ethical management regime in overseas worksites• Receiving Grand Prize in transparent/ethical management	

Code of Ethics

Kumho Asiana Group proclaims the code of ethics, which provides employees with standards of desirable conduct and values on the path toward the corporate vision, which is to become the global leader in value creation, growing with its people and earning recognition and trust from society.		
<ul style="list-style-type: none">• Kumho Asiana Group and its people do their utmost to achieve customer satisfaction, and earn trust of their customers by providing the best quality service and products.• Kumho Asiana Group and its people undertake their jobs, abide by the laws and respect custom and order of business based on good faith and trust.• Kumho Asiana Group offers equal opportunities to all of its employees, and treats them fairly according to their capabilities and performance.• Kumho Asiana Group's employees behave to earn the respect and trust of their customers and clients, protecting honor of the Group and maintaining personal dignity.	<ul style="list-style-type: none">• Kumho Asiana Group's employees neither ask for nor accept profits of any kind—either pecuniary or non-pecuniary—from anyone related to their jobs.• Kumho Asiana Group's employees do not use company property for personal benefit, and put the interests of the company before personal ones when the two conflict during the performance of their jobs.• Kumho Asiana Group's employees make an effort to live up to their company's competency model through constant self-development.	
To accomplish the above code of ethics, a separate set of rules will be pronounced and enforced. September 1, 2002		

Ethical Management Website



7 Initiatives to Become Beautiful Company

In January 2005, Asiana Airlines opened a website dedicated to ethical management. The website features a comprehensive management system for ethical management to enable employees to track and manage their own implementation progress (hours/points/days/ comments after participation) on ethical management and CSR campaigns real-time. The homepage consists of categories for ethical management, CSR and cyber ethical management office. It also has a comprehensive system for CSR in place that allows employees to go through a set of process starting from participation application to report generation.

In late 2011, the CSR homepage was redesigned to more effectively support social campaigns. The opening of the redesigned homepage was heralded with SNS-based promotional events to raise awareness about social campaigns waged by Asiana employees.

In February 2006, Asiana Airlines defined seven initiatives to become ‘a company which earns trust by fulfilling its roles and social responsibilities, contributing to society and acting on its pledges based on irreproachable business practices’. Any updates on the seven initiatives are communicated to all executives and employees on a regular basis.

7 Initiatives	Stakeholders	Details
1. Irreproachable management	Customer	• Quality management, customer protection, customer satisfaction
	Employee	• Respect for employees, talent management, welfare & benefits • Health safety, employee diversity
	Shareholder Investor	• Business performance (growth, profit, stability) • Corporate governance (BoD makeup, expertise, independence, protection of shareholder rights) • Transparent management
	Competitor	• Transaction system, win-win collaboration
2. Win-win management	Partner	• Transaction system, win-win collaboration
3. Outreach to the underprivileged (e.g. the physically challenged) 4. Blood donation campaign 5. Culture/art support	Society	• Contribution to community • Participation in global campaigns
6. Beautiful labor culture	Employee	• Sound industrial relation
7. Green/safety management	Society	• Environment protection / zero accident

COMPANY OVERVIEW

Ethical Management Program

Trainings on Ethical Management

Asiana Airlines offers enterprise-wide ethical management trainings to raise awareness and build consensus on ethical management. Ethical management is included in the curriculum for cyber training and job orientation for those newly promoted per job grade, new executives and recruits.

Ethical Management Trainings in 2011				
Training Type	Trainees	Date	Number of Participants (ppl)	Description
Procurement ethics	13 procurement teams including the win-win collaboration team	Feb. 16	98	Procurement ethics guideline
Ethical management	Overseas assignees in 2011	Jan. 4	25	Overseas assignees
	New recruits in 2011 (Group recruitment, intern pilots)	Feb. 1	64	Work ethics
	New recruits in 2011 (intern pilots with license)	Mar. 11	5	Work ethics
	New recruits in 2011 (Asiana open recruitment)	Mar. 16	38	Work ethics
	New recruits in 2011 (veterans, intern pilots with license)	Apr. 20	16	Work ethics
	Overseas assignees in the 2nd half of 2011	June 23	19	Overseas assignees
	New recruits in the 2nd half of 2011 (vocational college/college graduated maintenance engineers, intern pilots with license, veterans, general recruits)	July 4	63	Work ethics
	New recruits in 2011 (Group recruitment, engineers, intern pilots)	Aug. 19	65	Work ethics
	New employees(pilots with license, lateral hiring)	Oct. 19	5	Work ethics
	New recruits(lateral hiring, general/sales/airport staff interns)	Nov. 10	13	Work ethics
	Overseas assignees in 2012	Dec. 12	25	Overseas assignees
	New recruits (veterans, intern pilots with license)	Dec. 12	21	Work ethics

No Gift Campaign

Asiana Airlines has introduced the campaign encouraging voluntary participation of its employees which prohibits them from receiving money or gifts from partner companies. It is part of the efforts to have ethical management settle in the corporate culture. The campaign, planned to be established as a permanent one, was rolled out in September 2002 marking Korean Thanks Giving Day, continuing up until the 2012 Lunar New Year’s Day for a total of 19 sessions. During the campaign, an official notice calling for cooperation was sent to clients and partners, and self-initiated supervision was implemented in worksites. To increase campaign participation, Asiana invited partners who had shown a lukewarm response at the early stage to a congress where they listened to lectures about background and commitment to ethical management and signed the pledge for ethical management.

Ethical Management Monitoring

Asiana Airlines has the ombudsman office in place to root out unethical practices and unfair work handling by executives and employees. The ombudsman office is a channel for employees to submit their opinions directly to the ethics supervision office, and guarantees confidentiality providing varied protections to whistleblowers. It also monitors on a sustained basis compliance with corporate regulations while examining unethical conduct, if any, made either professionally or privately through periodic or ad-hoc inspections.



ASIANA PEOPLE

Here in Asiana, employees can better their lives
in an environment that fully unlocks their capabilities.

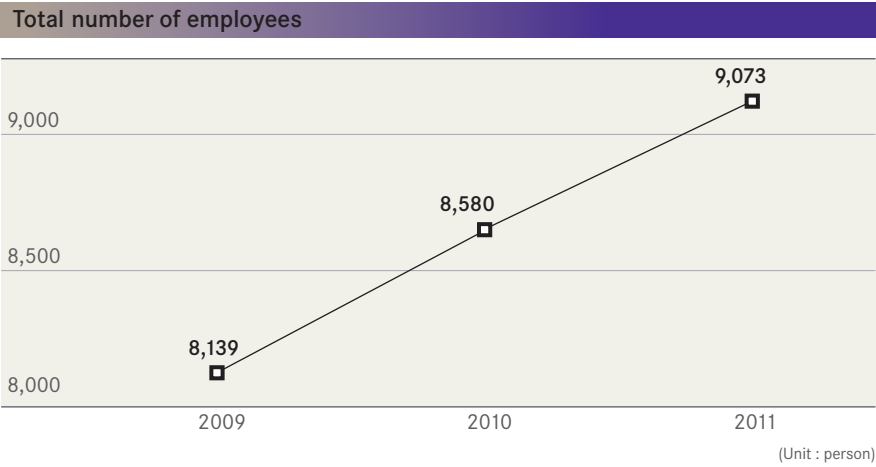
We share the value that Asiana pursues to make all members happy,
and communicate with trust and faith.



VALUE ENHANCEMENT FOR EMPLOYEES

HR Management

Employee Status



Male/Female Employees as of 2011

Category	General/ Sales/ Airport Staff	Pilots	Cabin Crew	Maintenance Engineers	Dispatchers	Others	Total
Male (ppl)	1,555	1,245	182	1,051	74	4	4,111
Female (ppl)	1,751	2	3,153	22	23	11	4,962
Total (ppl)	3,306	1,247	3,335	1,073	97	15	9,073

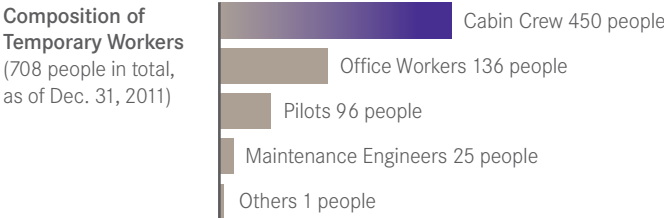
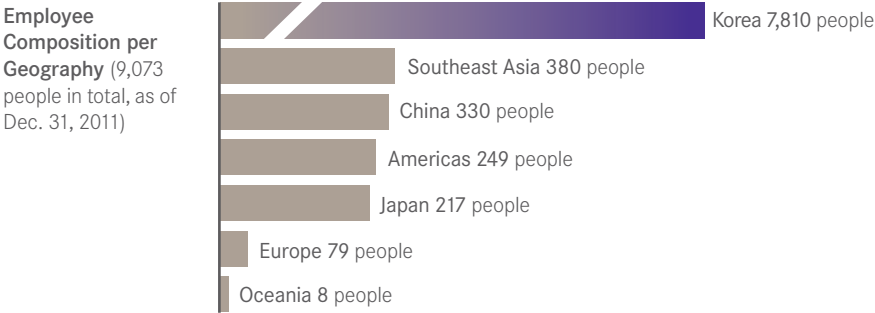
Number of New Entrants in 2011 : 1,065 people

Turnover Rate in Less than One Year : 6.4% (turnover rate = those who leave the company / average annual employees)

Ratio of Female Workers in the Entire Workforce : 54.7% (women-4,962 / men-4,111)

Average Years of Employment/ Average Age : 9.6 years/ 35.2 years old

Employee Composition per Geography (9,073 people in total, as of Dec. 31, 2011)



Physically Challenged Employees : 67 people

Note] Interns expected to sign a full-time contract after internship and those return to the company as part-timers after retirement (old-age workers): 459 people
Fixed-term contract workers employed only for a defined period of time (contract workers/part-timers)

Performance Management

Basic Rules

- Refrain from reactive evaluation that sees just the outcomes without giving feedback during the process
- Set targets and reinforce interim review for feedback to encourage fundamental performance improvement
- Give objective evaluation based on the annual work performance which can be leveraged as the guidance for career development and compensation (annual salary)

Those in Charge of Evaluation

- **Evaluator :** Undertake evaluation by item on evaluatees
- **Those with approval authority :** Finalize evaluation results / notify the results to the HR team
- **360° evaluator :** Designated separate from the regular evaluation due to differentiated characteristics of work relations, assess the evaluatee's contribution to work

VALUE ENHANCEMENT FOR EMPLOYEES

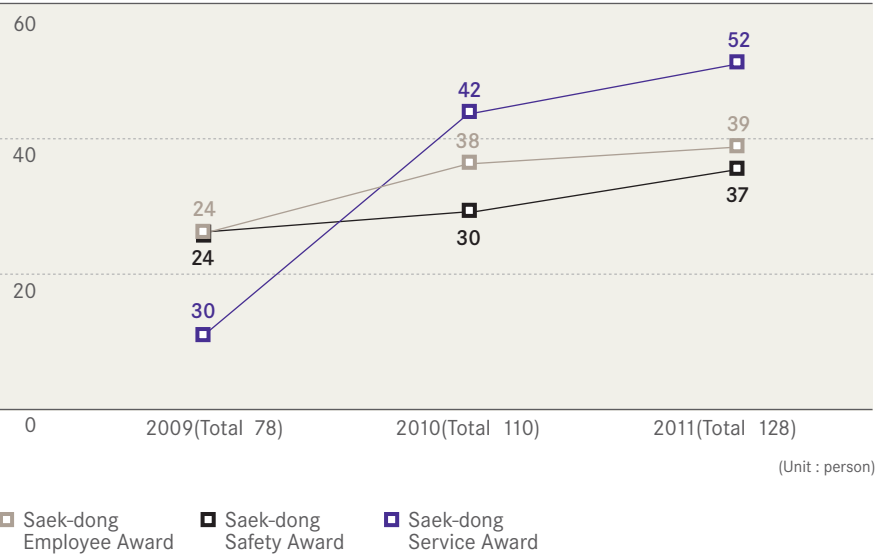
Employee Compensation & Grievance Redress

Evaluation Items

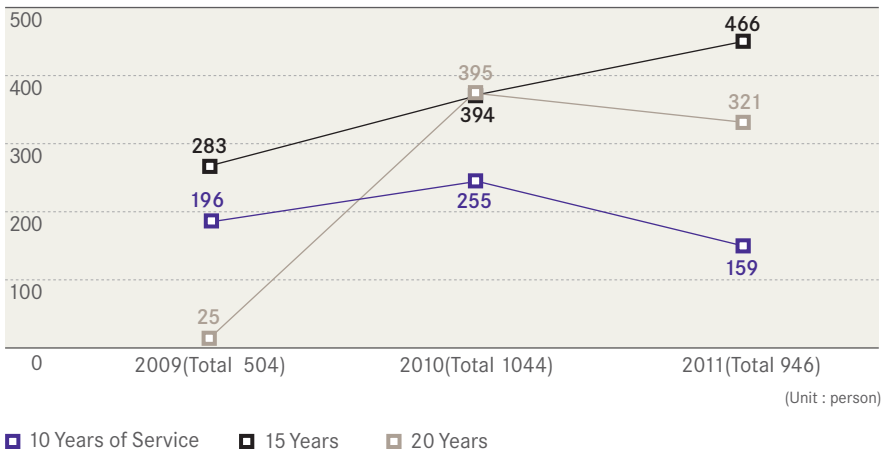
- **Job evaluation** : Job KPI(3 items or less) + job contribution(2 items or less)
- **Capability evaluation** : Shared capabilities within the Group (3 items) + shared capabilities within the company (1 item) + capability for job tasks (2 items) + specialized capability for the job (3 items)

To encourage high performance, Asiana Airlines offers a higher salary raise to star performers per position/job type based on the annual evaluation results. High performers are also rewarded with extra promotion points according to their grade in the annual evaluation, which would later offer them a better chance for faster promotion. In addition, those who have received good grades in the Asiana MBA courses also get to earn extra credit for early advancement in the company to be given a chance where they can unlock their great potential. Exemplary employees and those who have made great contributions to the company are also rewarded on a monthly basis or on the company foundation day.

Employee Awards

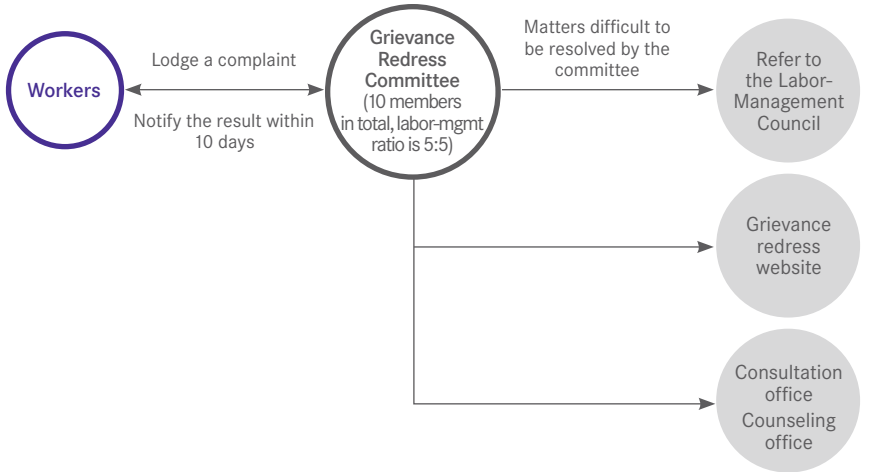


Rewards for Long Service



Grievance Redress (Human Rights Protection)

Asiana Airlines has established a grievance committee to redress employee complaints. The committee has 10 members with half of them from the labor and the other half from the management. When an employee files a complaint, the grievance committee discusses the issue and notifies the result in less than 10 days. For the young, Internet-savvy employees, it is also operating a grievance redress website within the company intranet in combination with other various offices for lodging complaints or counseling. The matters hard be solved by redress officers, however, are referred to the Labor-Management Council for further discussion. (16 complaints lodged / 16 solved in 2011 boasting of 100% resolution)



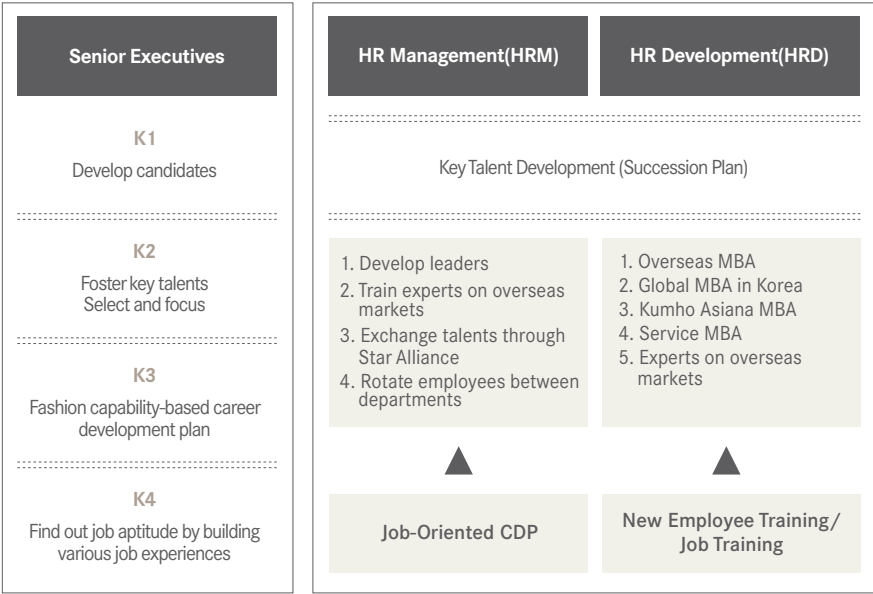
VALUE ENHANCEMENT FOR EMPLOYEES

Career Development

Career Development Program

The Career Development Program of the company helps employees adjust to their work more easily by reflecting their opinions when recruiting and assigning work to them. The program also develops employees’ capabilities for better expertise, reinforces job security and enables the company to secure talents and future leaders.

Career development process



Personnel Development Scheme



Gender Equality / Maternity Support

Asiana Airlines has entrenched itself as a family-friendly company by expanding job opportunities for women, developing career of female employees, introducing work-life balance measures, and creating wholesome corporate culture.

Prenatal Leave	From the diagnosis to the day before their maternity leave, pregnant workers can apply for a prenatal leave for their own and fetus's health.		
Maternity Leave	Allow pregnant workers to take time off to prepare for childbirth or childcare 90 days in total + 30 days upon employee request Male workers can take three days off when their babies are born (paid leave).		
Parental Leave	Parents with children at six or under can take a parental leave. Those who couldn't take out the whole year are entitled to use the balance afterwards <Utilization Rate>		
	'09	'10	'11
	69.3%	77.8%	78.3%
(The above figures show the number of employees who have applied for and taken the parental leave after their maternity leave)			
Employees on Maternity Support (2011)	Prenatal Leave : 288 people Maternity Leave : 356 people Parental Leave : 277 people		
Miscarriage/ Stillborn Leave	Allow female workers to take a leave for recuperation when they have a miscarriage or stillbirth 90 days in maximum depending on their pregnancy period (paid leave up to 60 days).		
Nursing Room	Headquarters, reservation center, Gimpo Airport, Incheon Int'l Airport		
Re-employment of Female Workers	Former cabin crew who resigned due to pregnancy, childbirth and childcare are re-employed as managers		
Other Welfare Supports	Infertility leave : For employees taking infertility treatment Childcare expense support : KRW 100,000 per child aged 6 or lower School expense support : Reimburse entire school expenses up to 3 children per employee until they finish middle school/high school/ college Music CD for prenatal care : Give music CD with good effect on an unborn baby to employees who are pregnant or whose spouses are pregnant		

Retirement Annuity Scheme

- **Objective** : To guarantee employees old-age income and the right to receive annuity
- **Time** : November in 2011
- **Annuity type** : Defined benefit plan at the first phase, expanded to give the option of defined contribution in 2013 and onwards (upon the employee needs))
- **Management** : Select multiple fund managing agencies (to secure the right to annuity) and accrue the allowance for severance and retirement benefit outside the company (the accrual rate stood at around 60% as of late 2011)

VALUE ENHANCEMENT FOR EMPLOYEES

Talent Development

Vision & Strategy

Under the vision of “fostering global leaders for better performance and value”, Asiana Airlines is providing systemic training that can develop global talents, drive corporate culture innovation and fashion performance-oriented strategy.



Mid-to Long-term Plan



Talent Development System										
Cate-gory	Basic Training Course			Advanced Course			Foreign Language Course		Shared Course	
	Preparation for Each Job Position	Job Skills	Corporate Development	Competency Building (optional)	Key Talent (invited)			General		Work Specific
Executive	Course for new executives			Domestic/ overseas seminars	CEO course at domestic universities (AMP), Executive courses offered by outside agency					
General Manager	Course for new K1	General job task Passenger flight Freight flight Airport Maintenance Operation Cabin ervice	All for One OZ Cultural Journey Cultural lectures	Outsourced courses	Kumho Asiana MBA (Yonsei Univ.) (Seogang Univ.)	Overseas MBA (US) (Japan) (China) Safety/ service MBA Regional expert	Domestic MBA (evening/ night)	Foreign language course before/after work (English) (Chinese) (Japanese)	Int'l biz course (int'l conference) (int'l negotiation) (presentation) Business e-mail & letters English for reservation Intensive Chinese course Intensive Japanese course	Cyber campus (leadership) (job task) (foreign language) (cultural class)
Deputy General Manager	Course for K1 candidates Advanced leadership									
Manger	Senior leadership Course for new managers									
Assistant Manager	Course for manager candidates Junior leadership Course for new assistant managers									
Employee	Course for assistant manager candidates Orientation for new recruits/ general/ job specific		Passion Plus							

VALUE ENHANCEMENT FOR EMPLOYEES

Global Talent Development Program

Program	Course/ Geography	Description	Number of Course Takers
Overseas MBA	US MBA	· TOP 30 US business schools	46
	Chinese MBA	· Business Schools of Tsinghua Univ. and Fudan Univ.	
	Japanese YLP	· Graduate School of International Corporate Strategy of Hitotsubashi Univ	
	MBA		
Korean MBA	Yonsei, Korea, Sogang, Chonnam (Business School)	· Take MBA courses of prestigious universities of Korea · Kumho Asiana MBA: MBA programs customized to the Group (Yonsei, Sogang)	13 (Korean MBA) 623 (Kumho Asiana MBA)
Service MBA	Service Leader	· Service management leadership program for cabin crew · Univ. of Brighton / MA Hospitality Management (UK)	3
	Safety Expert	· Safety expert program for cabin crew · RMIT Univ. / Aviation Safety & Risk Management (Australia) · Griffith Univ. / Aviation Management (Australia)	1
	Wine Expert	· Wine expert(sommelier) program for cabin crew · Thanet College / Wine and Spirits Education Trust (UK) · Cafa Formations / Formation De Sommelier (France)	3
	Professional Chef	· Offer the professional chef course to the cabin crew · Le Cordon Bleu / Cuisine Diploma (France)	3
Regional Expert Programs	China, Japan, Germany, France, Russia, Korea	· Produce global talents with local language proficiency and cultural knowledge · Korean course: Offered Korean class and OJT at the headquarters to local employees of overseas markets	65

Corporate Development Program

Program	Description
All For One (all employees)	Create a positive corporate culture and a great workplace by enhancing trust and understanding between different depts/positions
Passion Plus (employees on their 1st year)	Produce true Asiana people with positive and active mindset by sharing frontline experience and keeping the passion they had on the 1st year
Mentoring	Improve communication capability of the cockpit crew, and reinforce professionalism and loyalty to the company
Mentoring	Help employees settle down within the organization and grow into specialists by tapping into rich experience and knowledge of mentors
OZ Cultural Journey	Facilitate open communication between executives and employees, and improve cultural literacy by offering a range of cultural events including film/documentary showing, theater performances or special lectures
Cultural Classes	Open various cultural classes to support hobbies and leisure activities of employees after work (e.g. swimming, yoga, POP handwriting, acoustic guitar, Pilates)

Employee Training Expense & Trend

Category	2009	2010	2011
Total Training Expense (KRW 1 Mn)	14,194	13,729	12,186
Per Capita Training Expense (KRW 1,000)	1,797	1,740	1,486
Training Expense against Revenue	0.36%	0.27%	0.22%

Employee Health & Safety

Health Policy

- Enhance health service for all employees through disease prevention and systemic health management.
- Remove injury factors at workplace and continue to improve healthcare system and work environment.
- Establish medical support system for customers.
- Enhance productivity by providing better health and welfare programs.

January 1, 2009
Young-doo Yoon President & CEO
Asiana Airlines, Inc.

Young-doo Yoon

Health Counseling & Care

- Primary care** : Offer medical consultation, medicine administration and treatment to employees for prompt and quality medical service at work
- Professional healthcare program** : Collaborate with selected secondary and tertiary medical institutions and enlist upwards of 50 specialist doctors as company physicians to provide consistent professional healthcare
- Response to infectious diseases** : Establish preemptive response system for early actions
- Integrated medical information system** : Supervise employee vaccination and enable comprehensive management of employee health information from start to termination of their employment

Health Exams

- All employees** : Offer comprehensive health exams consisting of pre-placement health check-ups, and special/general check-ups in consideration of the worker's job characteristics, work environment and hazard factors for better employee health and welfare, which would ultimately lead to higher productivity
- Cockpit crew** : Provide physical examination specifically designed for aviation industry to help flight crew maintain flight competency and flight safety

Work Environment Supervision

- Periodic evaluation of work environment** : Conduct inspection on the frontline worksites including aircraft cabins, maintenance fields and hangars engaging health managers, occupational safety supervisors and safety managers to maintain safe and healthy work environment
- Visiting medical service** : Undertake monthly health examination for early detection of diseases for frontline workers.

Health Enhancement Program

- Systemic healthcare service** : Consistently offer systemic healthcare service throughout the employment period to maintain and improve health of workers
- Various health enhancement programs** : Assess health risks per employee to screen the high-risk group for thorough follow-up exams, advice on exercise and lifestyle, and counseling service to prevent musculoskeletal, cerebrovascular and cardiovascular diseases

VALUE ENHANCEMENT FOR EMPLOYEES



Occupational Healthcare Training

- **A range of training courses on employee health improvement and medical treatment** : Provide essential medical and health trainings on in-flight emergency aid, safe travel of the sick and the infirm, personal hygiene, travel medicine, hearing protection, prevention of musculoskeletal, cerebrovascular and cardiovascular diseases, and also offer health management education by job group and employee to maintain and enhance employee health
- **Health support for flight crew** : Provide specialized training courses by CRM(Crew Resources Management) experts tailored for flight and cabin crews on how to deal with flight fatigue and circadian rhythm disruption

Health Service Outcome

- **Effective prevention and management of occupational accident and work-related disease** : Maintain the permanent disqualification of pilots at the world's lowest level by providing specialized healthcare service to pilots, and effectively prevent occupational accidents and diseases through sustained and systemic health improvement initiatives
- **Systemic medical support to passengers** : Take sick and infirm passengers to their destinations safely and comfortably and preempt any disruptions to operations due to medical issues

Health Service Programs in 2011

Health Check-ups	Primary Care	Follow-up Care	Health Education	Care for the Sick & Infirm
7,436	14,571	5,424	3,029	1,787

(Unit : person)

Industrial Relations

Labor-Management Council

Striving to have collaborative and mutually beneficial industrial relations fit for its slogan ‘The Beautiful Company’, Asiana Airlines forms and operates two labor-management councils working to bring mutual benefits to the labor and the management alike by encouraging proactive participation and cooperation from the two unions and their members. It also has Industrial Safety & Health Committee composed of an equal number of representatives from the labor and the management in accordance with Article 19 of the Occupational Safety & Health Act. The committee holds regular meetings on a quarterly basis but ad-hoc meetings can be also held whenever needs arise, and its operation is subject to the operational provisions of the Occupational Safety & Health Committee.

Time-off Regime

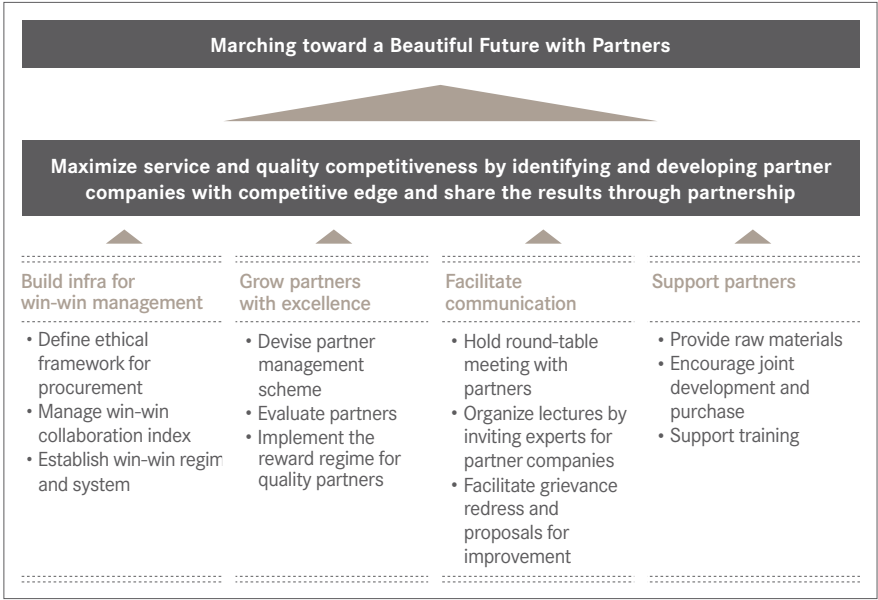
Separate from the conventional system to have full-time labor union officers, Asiana Airlines has reached a voluntary agreement with labor unions over the time-off regime (paying wages to full-time union officers for hours spent for union duties) such as time-off hours and those entitled to time-off based on the ratio of union officers.

Rest Lounge in the Workplace

Program	Description
Book Cafe & Book Drama	“OZ Book Café” has opened with more than 600 books after remodeling a library within the company building to encourage self-initiated learning of employees by building the foundation for informal learning and mobile learning. Every month, the café purchases books newly published or requested by employees, and produces 10-minute Book Drama, a 10-minute sitcom based on the book contents to be uploaded on the company intranet.
休 Port	For a sound and constructive corporate culture which promotes psychological well-being of the employees, Asiana Airlines has opened a counseling and psychotherapy room called 休 Port(rest lounge) where employees can take a personality and an aptitude test to get professional help for social life and better interaction with others. The lounge also offers other psychological tests and counseling on stress management, interpersonal relationship, children rearing and spousal relationship.

Win-Win Management

Under the vision of “Marching toward a Beautiful Future with Partners”, which drives growth inclusive of its partner companies, Asiana Airlines aspires for win-win management and is operating and managing AVEPS developed for seamless work collaboration with its partners.



VALUE ENHANCEMENT FOR EMPLOYEES

AVEPS

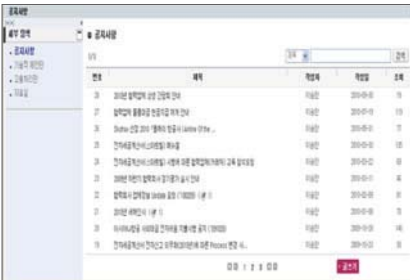


Quotation/Purchase Order Management

AVEPS stands for Asiana Value Enhancement Purchasing System, a portal site for “value creation and enhancement”, and “win-win management with partners”. AVEPS largely consists of three sections: supplier evaluation, purchase analysis and purchase collaboration. It enables Asiana Airlines to drive win-win results together with partners by establishing a fair and impartial partner management system, building an analysis scheme encompassing the entire purchasing process, and reinforcing communication and collaboration with partners. (<https://purchase.flyasiana.com>)

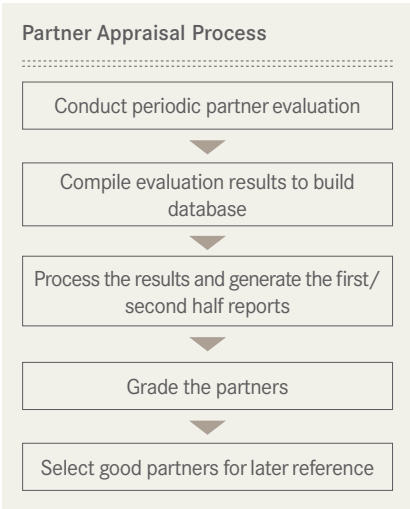


Information Revision



Proposal Scheme/Grievance Redress/Bulletin Board

Major Win-Win Programs

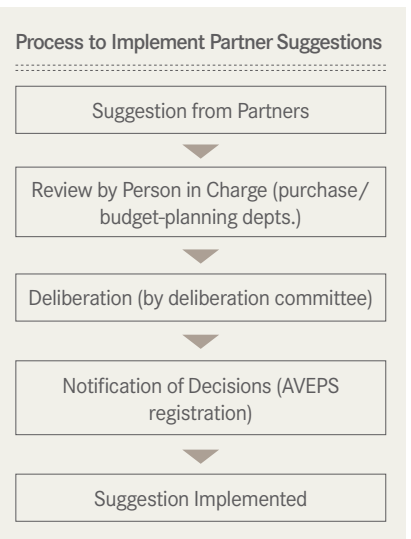


Good Partner Selection

Asiana Airlines evaluates its partners semi-annually, and leverage the evaluation results to select the right partners whenever there is modification to product specification or new product development. The evaluation results are compiled to be used as a basis for grading partner suppliers and select those with excellence. There are many factors to be considered when undertaking periodic evaluation. Among them, ethical management such as corporate philosophy, sustainable management practices such as green accreditation, environment-friendly materials as well as the basic evaluation criteria like quality of products and services are all included in the periodic evaluation. There can be slight variations but all in all, ethical/green management performance accounts for about 10-20% of the overall evaluation results.

Benefit/Penalty by Partner Grade

Grade	Benefit/Penalty	Description
AAA	Reward	2 round tickets to Southeast Asia (confirmed tickets)
	Accredit	Excellent partner certificate
	Offer Event/Training	Seminars, cyber trainings
A	Recognize/Encourage Good Practices	2 round domestic flight tickets (confirmed tickets)/ Excellent partner certificate
	Offer Event/Training	Seminars, cyber trainings
T		Verbally communicate advice for improvement
F		Send written warning and consider contract termination



Partner Trainings

Proposals/Grievance Redress Mechanism for Partners

Through free suggestion(year-round) and open suggestion(semi-annually) schemes, Asiana Airlines receives new ideas and suggestions from its partners. The company selects good partners twice a year, and openly receives their suggestions to address their complaints and issues. Suggestions from partners are handled through AVEPS and structured support for partner education is also provided.

Training for Partners

Asiana Airlines has opened a cyber campus designed for its partners to ensure them impartiality and transparency in transaction.

Major Performances

- **Name change of Purchase Team (Jan, 2011)** : General Purchasing Team ► Business Partnership Team
- **Win-win collaboration index development and KPI management (Jan, 2011)** : Facilitate communication with partners, suggestion from partners, AVEPS, and the acceptance rate of unit price adjustment
- **Education on purchase ethics (Feb, 2011)** : Declaration to strengthen purchase ethics (16 depts. including the business partnership team)
- Lectures by experts from partner companies on each product line (June, 2011)
- Procurement workshop (June, 2011)
- Field visits on partner companies (suppliers of uniforms, in-flight products for sale, booklets, promotional products)

ECONOMY

As the member of Star Alliance, the world's biggest network of airlines, Asiana offers a wide range of benefits and convenient flight schedules to customers across the globe.

A fair and transparent distribution of profit

Asiana makes efforts to create value of all stakeholders



ECONOMIC PERFORMANCE

Economic Performance



The air transport business is characterized by a higher entry barrier due to massive investment burden and the necessity to receive government permits as well as high demand sensitivity to any slight changes in social and economic circumstances since its operational expense is higher than that of land or maritime transport. It has competitive edge over other transport modes in high-speed and long-haul transport but is still subjected to demand fluctuation created by seasonal factors.

In addition, the air transport business is also strongly affected by external factors such as oil price, exchange rate and cyclical changes of the economy. Changes in the exchange rate, especially, directly affect purchase power of travelers impacting demand for passenger air travel along with sales margin as foreign currency accounts for a major portion in fuel, lease and maintenance expenses. Therefore, the exchange rate change can deeply affect financial stability indexes such as the debt ratio of an airline company.

Unlike maritime transport, the air transport is divided into passenger and cargo transport, two totally different businesses in terms of demand characteristics and risks. As for passenger transport, the inbound and the outbound demand can compensate for losses on either side when the exchange rate changes. The demand for passenger flight reflects the economic trend and the income level of a country, and even though demand is temporarily weakened, it tends to rebound swiftly once the external issue is resolved. In 2011, for instance, there were Japanese earthquakes in the first half, and oil price spike and the European economic slowdown in the second half, but the revenue of airline companies increased compared to the previous year even though profitability deteriorated.

In the mid-to long-term, demand for passenger flight is expected to post sustained growth based on the rapid growth of the East Asian economies including China. Demand for cargo transport, which is usually affected by global economic conditions and changes in the volume of transported goods, is posting a downward trend due to global economic instability triggered by the European fiscal crisis. However, considering the geographic advantage and competitive edge Incheon International Airport enjoys, FTAs with Europe and the US, and the strong domestic IT manufacturing capability, the cargo transport business will be able to post gradual growth in the longer term.

Performances in 2011

In 2011, Korea’s airline industry, seemingly recovering from the severe recession triggered by the global financial crisis three years ago, had to face yet another adverse event like Japanese earthquake, credit downgrade of the US, default risk of South European countries, civil war in Libya and floods in Thailand. However, despite such a series of blows, thanks to increase in foreigners visiting Korea, robust demand for connecting flights at Incheon International Airport, vibrant tourism on the Jeju island, and increased operation of low-cost airlines, the number of passengers for international and domestic flights increased by approximately 6.5% and 3.8% respectively. This trend, unfortunately, was not replicated in cargo transport with its transport volume declining 2.7% year-on-year affected by the European fiscal crisis.

〈아시아나항공 시장점유율〉

2009	
Domestic Passenger	26.2%
International Passenger	25.3%
International Cargo	23.2%
.....	
2010	
Domestic Passenger	22.3%
International Passenger	25.7%
International Cargo	23.2%
.....	
2011	
Domestic Passenger	21.4%
International Passenger	24.6%
International Cargo	23.5%

In 2011, demand for the outbound and the inbound maintained the upward momentum of the previous year, reflecting various favorable events including IAAF World Championships in Daegu. The number of inbound passengers flying with overseas airlines also increased thanks to the spread of the Korean Wave (popularity of Korean culture in Asia) and the country’s geographical location as a great tourism alternative to Japan, recording all-time high with 49.12 million, a 4.8% increase from the previous year. However, the economic slowdown and the exchange rate fluctuation triggered by the European fiscal crisis has eventually limited the upward momentum of demand and as a result, the number of outbound domestic passengers increased only a mere 1.6% year-on-year which stands in contrast with a staggering 11.3% increase of foreign inbound passengers. So all in all, the annual number of both inbound and outbound passengers increased by approximately 5.6%, and the number of international flight passengers increased 6.5% year-on-year. Meanwhile, the international cargo transport volume declined 4.8% compared to the previous year affected by the European fiscal crisis, which undermined profitability even though the revenue increased slightly from the previous year.

Category	2011		2010		YoY Increase/Decrease	
	Volume	Value(KRW 1,000)	Volume	Value(KRW 1,000)	Volume	Value
Air Transport		4,719,854,865		4,364,393,032		8.1%
Passenger (1,000 ppl)	14,736	3,381,400,018	14,567	3,026,894,548	1.2%	11.7%
Cargo (tons)	850,870	1,338,454,847	826,060	1,338,498,484	3.0%	-0.1%
Scheduled		4,415,385,454		4,064,599,801		8.6%
Passenger	14,006	3,185,636,951	13,723	2,822,648,051	2.1%	12.9%
Cargo (tons)	799,292	1,229,748,503	787,811	1,241,951,750	1.5%	-1.0%
Domestic Flight		293,440,339		283,737,864		3.4%
Passenger	4,407	288,309,308	4,427	278,777,443	-0.4%	3.4%
Cargo	38,202	5,131,031	39,852	4,960,421	-4.1%	3.4%
International Flight		4,121,945,115		3,780,861,937		9.0%
Passenger	9,600	2,897,327,643	9,297	2,543,870,608	3.3%	13.9%
Cargo	761,090	1,224,617,472	747,960	1,236,991,328	1.8%	-1.0%
Unscheduled		304,469,411		299,793,231		1.6%
Cargo	729	195,763,067	844	204,246,497	-13.6%	-4.2%
Cargo	51,577	108,706,344	38,249	95,546,734	34.8%	13.8%

In 2011, the market share of Asiana Airlines declined slightly in international passenger flights caused by consistent growth of low-priced airline companies both home and abroad, but the market share in international cargo flight increased a bit from the previous year. Its market share stood at 21.4% (decreased from 22.3% of the previous year) in domestic passenger flights, 24.6% (decreased from 25.7%) in international passengers, and 23.5% (increased from 23.2%) in international cargo.

ECONOMIC PERFORMANCE

Passenger



Asiana Airlines achieved all-time high revenue in passenger flight with KRW 3 trillion 460.5 billion amidst various adverse events including the great earthquakes of Japan and fiscal crisis of Europe. It responded proactively to those difficulties and overcame waning demand by focusing on long-haul flight routes and sales of alternative routes including routes to China and Vietnam. To boost competitiveness of short-haul flights to Vietnam, Asiana Airlines launched Busan/Hanoi and Busan/Ho Chi Minh flights on June 1, increased the flight operation of Incheon/Ho Chi Minh to twice per day on June 23 while reinforcing shuttle flights between metropolitan cities of Korea, China and Japan. The Incheon/Sendai route, which had been suspended after the Japanese earthquake, was resumed starting from September 25, and the flight route between Incheon and Da Nang, the hidden pearl of Vietnam, was launched in December.

Furthermore, in the long-haul service, Asiana Airlines worked to build network to increase user convenience by launching flights on Incheon/Istanbul on March 29 and Incheon/Hawaii on September 18, 2011. It also started to operate flights to San Francisco every day, adjusted flight frequency to Chicago to a weekly basis to reinforce its service strength in Americas, and increased flights between Incheon and London, one of the most popular destinations of Europe, to seven times per week starting from October. These are all part of the company's efforts to boost its long-haul service network.

In 2011, Asiana Airlines enhanced its brand value by leveraging SNS marketing through Twitter and Facebook laying the foundation to extend its customer base. The "IT Tour" it has developed as part of differentiated marketing tactics, was announced to be the "hit product of the year" by JoongAng Daily of Korea.

Revenue Breakdown by Geography (Passenger)

	2009	2010	2011
Domestic	11.0%	8.4%	7.8%
Japan	22.8%	22.1%	20.2%
Asia	21.5%	21.5%	22.7%
China	13.0%	15.6%	16.4%
Americas	19.3%	19.5%	19.6%
Europe	6.6%	7.2%	7.9%
Oceania	5.8%	5.6%	5.4%

To put it simply, 2011 was the year when the air cargo market contracted due to the euro crisis and recession of the US. The total cargo volume departing from Korea including the transshipment cargo, dropped by as much as 9.1% but despite such gloomy picture, Asiana Airlines increased its cargo volume by 0.3% from 2010 by increasing supply and augmenting its sales capability. The efforts were translated into KRW 1 trillion 338.5 billion in net revenue, an increase of KRW 1 billion from the previous year.



In late September, the company ventured into the Latin American market, a new growth engine of the industry by launching cargo flights to Miami and Portland, successfully diversifying its cargo demand into new markets, reducing dependence on the US and European markets that have shown high uncertainties these days. Also, to capture demand from the Japanese automobile and electronic industries that are currently on the recovery after the earthquakes, Asiana Airlines resumed its flights to Nagoya in June, successfully improving its performance. There was also a noticeable performance improvement in flights from the US and Europe with 32% performance increase in the US office and 52% increase YoY in the Europe office.

Revenue Breakdown by Geography (Cargo)

	2009	2010	2011
Domestic	0.5%	0.4%	0.4%
Japan	5.8%	6.2%	7.0%
Asia	15.0%	15.4%	15.5%
China	10.1%	8.8%	8.4%
Americas	44.2%	46.8%	44.6%
Europe	23.2%	21.6%	23.2%
Oceania	1.1%	0.9%	0.9%

Ancillary Business

Asiana Airlines creates revenue not only from on-board duty-free sales, mileage partnership, passenger/cargo transport service, excess baggage handling and warehouse fee, but from building and equipment lease. The ancillary revenue in 2011 stood at KRW 466.4 billion, accounting for 8.7% of total revenue.

Revenue by Business (based on IFRS)

Category	Revenue Source	2010		2011	
		Revenue	Ratio	Revenue	Ratio
Flight Operation Business	Domestic passenger	2,861	5.7%	2,906	5.5%
	International passenger	29,258	58.1%	31,700	59.5%
	Cargo	14,062	27.9%	14,041	26.3%
Ancillary Business	On-board duty-free sales	1,145	2.3%	1,207	2.3%
	Excess baggage handling	150	0.3%	171	0.3%
	Other ancillary	2,918	5.8%	3,286	6.2%
Total		50,395	100%	53,310	100%

* IFRS(International Financial Reporting Standards : International accounting standards)

ECONOMIC PERFORMANCE

Value Allocation

Asiana Airlines faithfully fulfills its economic responsibility by evenly allocating value it has created from its business activities to internal/external stakeholders. It distributed approximately KRW 3.8 trillion to its stakeholders in 2011 alone.

(Unit: KRW 1,000)

Category	Cost	Share
Manpower	535,672,814	14.0%
Depreciation & Amortization	239,432,923	6.3%
Fuel Oil	1,848,811,371	48.3%
Lease (aircraft, building, etc)	395,609,684	10.3%
Maintenance(materials + outsourced service)	232,471,238	6.1%
Airport(ground handling, airport facility usage, ground passenger transport)	374,984,889	9.8%
Interest	191,427,765	5.0%
Taxes & Dues	9,049,274	0.2%

Market Risk & Risk Management

Asiana Airlines takes every caution in managing risks as it is exposed to various market risks, i.e. currency exchange rate, oil price and interest rate. Airline companies are especially sensitive to any changes in the exchange rate and oil price as they have more debts than assets in foreign currencies, more spending than income in foreign currencies and constant needs for airplane oil. These characteristics have increased their exposure to profit risk when the exchange rate and oil price rapidly increase. Aware of this, Asiana Airlines always closely monitors movement of the exchange rate and oil price.

Risk Management Policy

For more structured and efficient risk management, Asiana Airlines has written risk management provisions that can be applied to frontline works while establishing the risk management committee and designating risk management champions. To respond to the exchange rate fluctuation, the company employs a natural hedge internally in combination with other hedging tactics for the remaining exposure. As for oil price risk, Asiana Airlines has adopted ‘program hedge’ which continues to purchase a certain portion of oil for future needs in order to reduce volatility in business performance. Moreover, to reduce interest rate risk, Asiana Airlines maintains the ratio between fixed and variable rate borrowings to prepare itself against performance volatility that can be expanded by interest rate fluctuation. A permanent risk management body was established to make a more effective response to external risks such as exchange rate or oil price fluctuation.

(a) Objective	• Fashion external risk management strategy, define hedging tactics and target hedge ratio
(b) Composition	• Chair : Management Division Head • Members : Executives in legal affairs/machinery, strategic planning and finance, team leaders in treasury, accounting, win-win collaboration and tariff service, and leader of the 2nd strategic planning team
(c) Meetings	• Quarterly meetings in principle but ad-hoc meetings can be held whenever needs arise
(d) Decision making	• More than two thirds of the members have to be present, and more than a half of the attending members have to approve of the agenda for it to be passed

Note] Natural Hedge : An investment that reduces the undesired risk by matching foreign currency revenues and expenses, and assets and debts

Outlook & Plan for 2012

IATA (International Air Transport Association) forecasts the total operating profit of the global airline industry for 2012 would stand at approximately USD 8.7 billion and net profit would be no more than USD 3.5 billion, a 49% decline from the previous year affected by the European fiscal crisis and the subsequent slowdown of the global economy. It estimates the passenger flight would grow 4% but growth of cargo flights would remain a disappointing 0%. But the supply capacity of airline companies is expected to increase by about 6% as they would invest USD 100 billion in introducing new aircraft. However, if the euro zone crisis becomes full-scale, it estimates net loss would amount to USD 8.3 billion with loss in the European market accounting for as much as half of the total loss. In this case, the growth of passenger and cargo flights would be contracted to 0% and -4.7% respectively, eroding profit of passenger and cargo transport by 1.5% respectively.

To counter such financial risks, Asiana Airlines is planning to adopt strategic flight operation including flight increase on routes to China in order to maintain its competitive edge. It will increase flights to Southeast Asia to five days a week while responding strategically to travel needs increase possibly driven by the economic recovery that may come after the second quarter. It will also try to increase flight frequency to Americas into daily operation by increasing flights to Chicago and Honolulu, which would strengthen its competitiveness in the long-haul service.

The company’s cargo business target revenue for 2012 is KRW 1.47 trillion, a 9.8% increase from 2011. One B747 aircraft will be introduced in May and July respectively to increase supply capacity which may be helpful attaining the target. In July, it will increase flights to Europe and optimize the flight schedule of other routes in order to maintain its dominating presence in the market. It will also secure supply capacity for London to swiftly respond to rapid demand growth during the London Olympics and EURO 2012.

The Korea-US FTA, which would be in full force going forward, and the Korea-EU FTA are two of the major positive factors that will brighten the business outlook of 2012. Asiana Airlines is set to make proactive and effective responses to changing environment by constantly improving its competitiveness in flights to the US and Europe, the high-value-added business areas for the company. Going forward in 2012, Asiana Airlines will take advantage of the global economic trend like it has done before to reap the best results.

SAFETY MANAGEMENT

With the world's best safety management system firmly in place,
Asiana offers a safe and comfortable journey
with impeccable customer services.




SAFETY MANAGEMENT

Safety Management



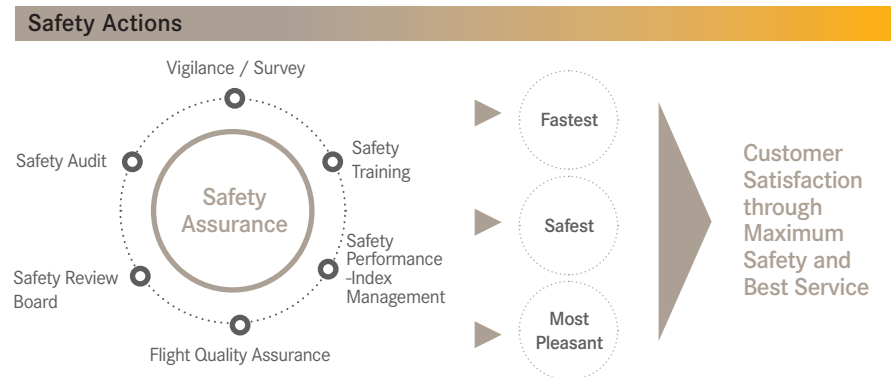
Safety Goal	Maintain a state of zero accident
Safety Policy	<p>Asiana Airlines' foremost mission is to satisfy its valuable customers by meeting their demands to provide safety exceeding global standards.</p> <p>Asiana Airlines operates its Safety Management System to ensure safety of the highest level while devoting relentless efforts towards continuous safety enhancement.</p> <p>Asiana Airlines' safety policy will undergo unceasing scrutiny and continuous revision so that it is in conformance with the company's quality, security, environmental, and health policies.</p> <p>Asiana Airlines will set and meet its Safety Goal to conform to those set forth in the State's Aviation Safety programme while each and every employee will fulfill all related duties and responsibilities related to the Safety Management System in order to achieve safety objectives.</p> <p>Asiana Airlines encourages voluntary participation and a just culture with regards to the collection and application of aviation safety information.</p> <p>Asiana Airlines' Safety Goal is to maintain a state of zero accident and adequate resources will be invested to achieve this.</p> <p>Asiana Airlines' highest management priority is never compromising on safety and employees will put forth all efforts to achieve the company's safety policy.</p>

January 1, 2009
Young-doo Yoon President & CEO
 Asiana Airlines, Inc.

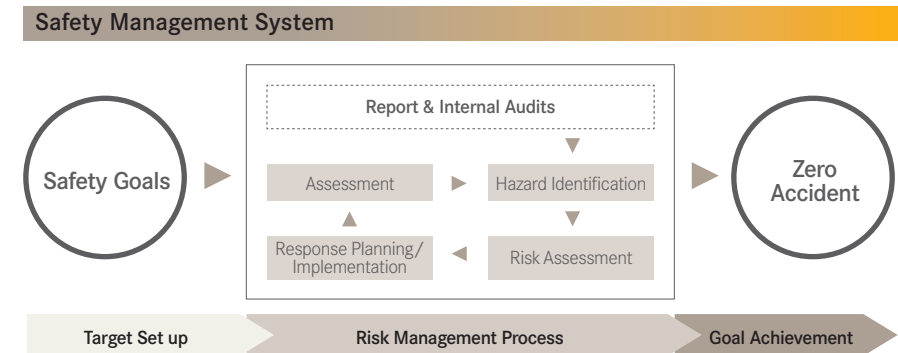


Safety Management System

Asiana Airlines has established safety management system in accordance with relevant provisions set forth by ICAO (International Civil Aviation Organization) after receiving an approval from the MLTM (Ministry of Land, Transport and Maritime Affairs). It became the first airline in Korea to build such an integrated safety management system that can oversee safety of the world-wide operating offices.

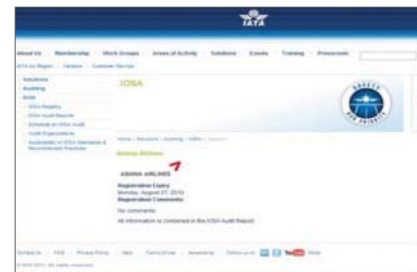


Strongly committed to safety, Asiana Airlines removes risk factors at the source and provides safer air transport service by establishing its safety system one year ahead of the timeline set by ICAO.



Safety Accreditation

The IOSA (IATA Operational Safety Audit), a mandatory requirement for IATA members across the globe, is an internationally recognized and accepted evaluation system designed to assess an airline's operational management and control systems. If an airline company wishes to join the code-share agreements with foreign companies, it must be the IOSA registered because it is an industry safety bar for everyone to see. Asiana Airlines has successfully established itself as an airline with world-class safety by renewing its IOSA registry every two years since it first acquired the accreditation on 2004.



Aviation Safety

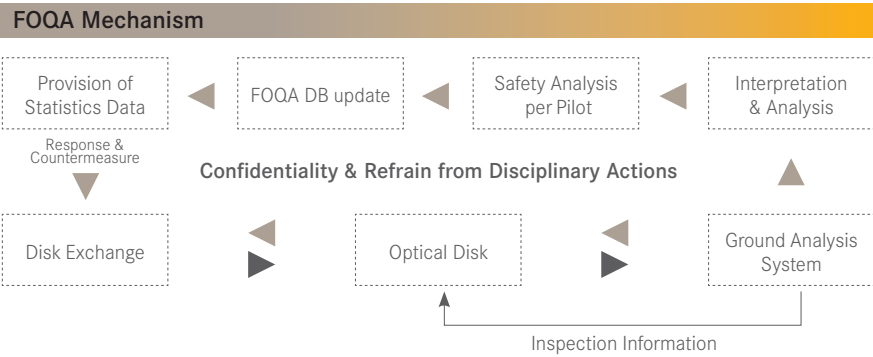
Under the Corporate Mission, 'offering the fastest, safest and most comfortable flight to the destination on time' and the guideline for its business management, 'operational safety that can never be compromised', Asiana Airlines always strives to keep promises it has made to customers. There are various meetings and processes in place to remove any factors that may disrupt flight operation. The safety mechanism is centered around OCC (Operations Control Center) which controls and monitors aircraft movement real-time from departure to arrival, complemented by 'Committee for On-Time Operation', 'Alert System for Timeliness' and the internal evaluation system on on-time operation. Coupled with these, it has implemented a range of initiatives for aviation safety such as the safe flight campaign for pilots, weekly department meetings to prevent flight delays and regular audit on operational quality. In 2004, it introduced LOSA (Line Operations Safety Audit) for the first time in Korea to identify potential risks for accidents and factors that can cause errors in advance and improve the identified risk factors, which would, in turn, enhance safety of flights.

SAFETY MANAGEMENT

FOQA : Flight Operations Quality Assurance



FOQA, the flight data analysis system based on state-of-the-art technologies, has been deployed for aircraft quality management. It generates training materials for flight crew by analyzing flight trends and improves training materials for pilots by producing animation films which reenact the actual flight situations and compiling accurate and objective statistics. By monitoring aircraft and engine performances, conducting preemptive inspections and maintenance, and investigating errors or breakdowns, FOQA is contributing greatly to cost reduction and dispatch reliability.



Safety Trainings for Pilots



(Unit : Hour)

Category		'09	'10	'11	Total
Safety Training Hours	Total	124,652	125,933	139,865	390,450
	Per Capita	112.3	108.8	114.2	111.8

Note 1) Include trainings for pilots

Note 2) Include both on and off-line trainings

Note 3) The number of pilots – 1,110 people (in 2009), 1,157 people (in 2010), 1,225 people (in 2011)

Safety Training Cost for Pilots				
Category	'09	'10	'11	Total
Training Cost(Unit: KRW 1 Mn)	10,034	10,779	8,835	29,648
Per Capita Cost(KRW 1,000)	9,039	9,317	7,213	8,490

※ Overseas training cost in the second half of 2011 declined as domestic lease of A330 SIM became available starting from Aug. 1, 2011

Special Trainings for Aviation Safety & CRM Training Status



Special Trainings by Season.

- Simulator trainings for the summer rainy season and the winter season

Number of Special Training Attendees in 2011			
Category	Summer	Winter	Total
Attendees (ppl)	124	113	237

Field Training on B744/B767 Cargo Loading & How to Handle Hazardous Materials

- Field trainings for pilots to understand cargo loading and configuration (Sep. 5, '11 ~Feb. 28, '12 / 212 people attended)

CRM Training Environment & Quality Improvement

- 「OZ CRM/TEM SEMINAR」 with guest lecturers (Mar. 3, 2011)
- Facilitate internal CRM training and learn advanced TEM concept by inviting external or overseas experts as lecturers (number of attendees: 240 people)
- Commission out CRM training analysis to external consulting agency (June 17~ Sep. 6, 2011)
- Offer external trainings to instructor pilots to strengthen their flight capability (Sep. 7~Nov. 24, 2011 /Korean Aviation Safety Institute)

CRM Training Attendees in 2011							
Category	Initial CRM	Session for Promotion	Instructor Appointment	Regular Instructor Session	CRM Refresh	Joint CRM	Total
Attendees (ppl)	124	46	44	111	95	395	815

Note] CRM: Crew Resource Management

TEM: Threat & Error Management

Investment Plan for Pilot Trainings

B767 /B747-400 Simulator Upgrades

B747-400 Sim IDS was updated and the QFE function was newly added in March 26, 2012. Upgrade of B767 Sim FMS is scheduled for June 2012.

Note] IDS: Integrated Display System

FMS: Flight Management System

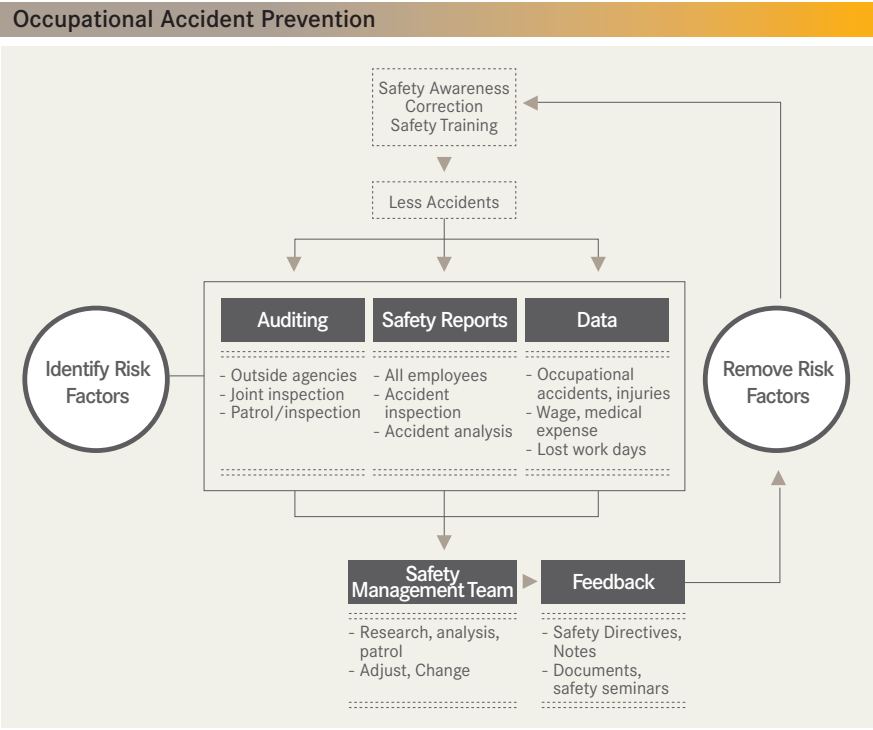
SAFETY MANAGEMENT

Occupational Safety

Provision & Procedure

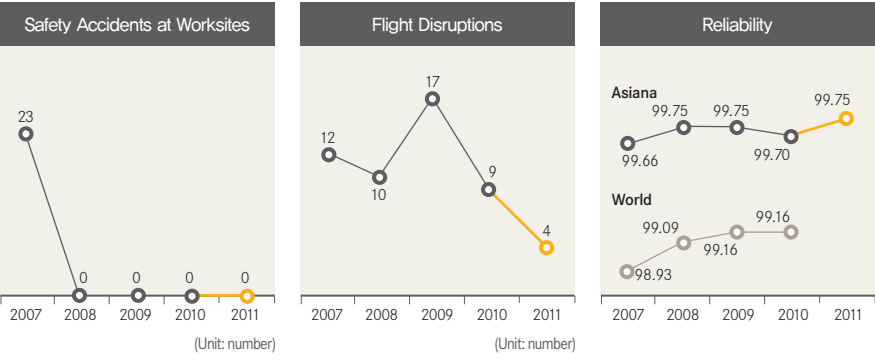
Asiana Airlines has established occupational safety management provisions and the safety training procedure to prevent occupational accidents and create a safe and pleasant work environment by clarifying safety standards and defining responsibilities of all employees and resident contractors.

- Establish and revise safety provisions and procedures
 - Reinforce support for and collaboration with relevant outside entities
 - Offer safety trainings to new employees and other regular trainings
 - Provide special safety sessions to workers exposed to hazardous working environment
 - Conduct field patrol and inspection to identify and remove potential risks in advance
- Undertake safety test and make improvements on high risk machine/equipment
 - Support protective devices after examining and confirming their quality
 - Investigate accidents to analyze root causes and come up with appropriate countermeasures.
 - Reinforce safety initiatives such as safety manager meetings and supplier safety seminars



Safety Maintenance

Since July 2007, Asiana Airlines has conducted inspection on maintenance quality designed to remove and control safety risks in order to minimize safety accidents at the worksites, flight disruptions, flight delays and defects.



Thanks to such sustained inspections on maintenance quality, the V2500 engine installed in the A320F aircraft racked up as many as one million hours of no IFSD (In Flight Shut Down) in 2011.

V2500 Engine Status			
Number of Engines	Operation Hours per Month	Latest IFSD	1 Mn Hours of No-IFSD
65 (7 spare engines included)	15,600 hrs	May 6, 2003	Feb 12, 2012

Note] IFSD: In Flight Shut Down

Asiana Airlines is planning to develop a manual on maintenance safety and a related system to ensure the highest maintenance quality by improving work environment and employee capability apart from the efforts to build safety management system to control all potential risk factors with regard to aircraft operation.

Customer Safety

Care for the Infirm Passengers

To ensure a safe and comfortable flight, physically challenged passengers are assessed of their health conditions to determine if they are fit for air travel, in consideration of possible effects of the in-flight setting as well as aviation physiological factors. Incapacitated passengers are provided with specialized services, such as the Meet & Assist service performed by flight nurses before and after the flight. Aero stretchers and oxygen equipment are also available. Details about in-flight settings and medical services can be found at the company homepage.

Emergency Medical Training Program

In preparation for medical emergencies, aircraft is equipped with first-aid kits and other medical supplies, which are maintained with regular function checks. First-aid training is provided to all cabin crew. Besides, Asiana also operates BLS Training Site, a CPR training agency recognized by American Heart Association and Korean Association of Cardiopulmonary Resuscitation. It also maintains 24-hour hotline to provide rapid and effective medical support.

CUSTOMER SATISFACTION

Asiana values each and every customer and provides services befitting its status as one of the world's best airlines.



CUSTOMER SATISFACTION

Asiana Airlines, based on the leadership's unwavering commitment to ‘customer satisfaction’, defines strategy and direction for customer value enhancement and enforces structured process tailored to each customer contact point to maintain the highest service quality in the industry.

Service

Asiana Airlines has taken its network to the next level by innovating flight scheduling and facility operation. The introduction of OZ Quadra Smartium, a new type of business seat, also contributed to bettering the facility competitiveness. With strong trust from customers in its safety and service, and the corporate commitment to new service development, Asiana Airlines ranked the first in all of the major three customer satisfaction surveys, and named as the five-star airline for four consecutive years. It has also achieved a very honorable milestone of winning ‘the Airline of the Year’ from ATW in 2009, Skytrax in 2010 and Global Traveler in 2011, becoming the first airliner to achieve Golden Grand Slam.

Differentiated Marketing

Asiana Airlines leverages both on/off-line channels to employ a range of marketing initiatives. As for activities in the online realm, the company offers ticket purchasing service, useful travel tips, and an opportunity to participate in promotional events at its homepage (flyasiana.com). It also leverages SNS and smart phones as platform for service provision, which enables the company to communicate with customers almost real-time, enhancing customer convenience significantly. As for the offline marketing, various programs have been introduced such as ‘Magic Boarding Pass’ and ‘Korean Traditional Alcohol Tasting’ along with overseas marketing initiatives based on Korea’s cultural contents including K-Pop, ‘IT Tour’ for Chinese tourists, ‘Dae Jang Geum Tour’ for Japanese tourists. Asiana Airlines continues to develop differentiated marketing strategy that sets it apart from other airline companies.

Service	Description
Shop & Miles	It is first airline's internet shopping mall that accumulate mileage, customers can get mileage as well as discount, points, reserve of shopping mall when they shop at allied shopping mall via "Shop & Miles"
SNS, Smart Phone-based Services	Customers can enjoy a wide variety of communication channels through SNS (Twitter, Facebook), and the smart phone application which enables one-stop service from reservation to ticket purchase and seat selection anytime and anywhere.
Magic Boarding Pass	For less than 7 days after the flight, passengers can get discounts for money exchange, shopping, transportation, tour, and restaurants when they show a boarding pass to 30 partner companies home and abroad.

In 2011, Asiana Airlines introduced a new customer engagement program named ‘Dream Wings’ where college students with dream, passion and spirit of challenge can go to one of the foreign destinations of Asiana to participate in volunteering activities. ‘Diamond Plus’ for life-long premium members who have amassed 500,000 mileage points or flied with Asiana for more than 500 times, ‘Flight Attendant Class’ to help customers utilize their mileages to participate in various programs Asiana offers, ‘Asiana Magic School’ for child customers and other distinct marketing

Airport Service



programs have been received very well by customers. Thanks to such strenuous efforts, Asiana Airlines won ‘Best Frequent Flier Program-Gold Award’ selected by the Executive Travel in August 2011.

Asiana Airlines constantly develops new and unique services that take customer age and situation into consideration to provide a pleasant service to all customers

Service	Description
Happy Mom Service & PreMom Service	Passengers who travel with their babies are provided with special services to minimize discomfort that may come from airport check-in, breast-feeding on the flight, and the long flight hours. Thanks to the enthusiastic support of moms with babies and kids, ‘Happy Mom Service’ has been extended to all domestic branches since September 2010. Encouraged by the raging success of Happy Mom Service, ‘PreMom Service’ for pregnant passengers has been also introduced. PreMom Service removes any inconvenience expectant mothers may face from departure to arrival in order to ensure comfortable and convenient flight experiences.
Lounge Service	Asiana Airlines provides special lounge services to premium customers, e.g. ‘Lounge Barrister Service’, ‘Vibration Bell Service’ for passengers using the lounge shower room, and ‘Asiana Lounge Concert’ which invites customers to perform themselves at concerts, premium services provided only by Asiana
Hansarang Lounge Service	Hansarang Lounge was opened for the physically challenged passengers in June 2011 at Incheon International Airport. It was the first time in the airline industry that a lounge dedicated to the physically challenged was opened. At Hansarang Lounge, passengers can complete the boarding and baggage check-in process without waiting and can also take a refreshing rest. It has the barrier-free interior design with a range of entertainment facilities to provide only the best service to passengers with physical constraints.
‘Hyo’ Service	For customers who travel with their senior parents, ‘Hyo(filial piety)’ service is provided to make their flight convenient and pleasant. It enables passengers to reserve convenient seats in advance, has a service staff call customers one day before the flight to provide travel information tailored to their needs, and help their boarding at a counter dedicated to Hyo service users.
Internet/Mobile Check-in Service	Customers can select a preferred seat through Internet and mobile devices, and go through the boarding process for themselves.
Self Check-in Service	Passengers can complete the boarding process easy and fast without long wait-time
Information Service for Customers on Waiting	Passengers flying with Asiana without making a prior reservation can confirm their number on the wait list real-time through the information system

Apart from these, Asiana Airlines has launched the MICE business, an acronym which stands for Meeting, Incentive, Conventions, and Exhibitions, by opening ‘MICE Support Center’ in the airports. MICE is a new type of service that combines service and sales activities with the convention business, the high-value-added growth engine for the future, creating synergy effects and proving Asiana’s excellence in service capability to visiting dignitaries home and abroad.

CUSTOMER SATISFACTION

Cabin Service



In-flight meal service is one of the joys for air travelers. Asiana Airlines always works to enhance the quality of in-flight meals and develop a wide range of palatable and premium menus pleasing to taste buds and beneficial to passenger health.

Service	Description
Special Cabin Service	'Magic Show' that can entertain bored passengers, 'World Traditional Clothes Fashion Show' that features traditional costumes of Korea and other countries, nail art, facials, and makeup services offer various attractions to save passengers from the boredom coming from a long flight. For child passengers, Asiana Airlines has developed a range of child services such as cookie making, magic balloons, tattoo for children, costume play with flight attendants, and paper craft to captivate minds of children, the future customers of Asiana.
In-Flight Meals	Based on studies about Korean traditional food, Asiana Airlines is leading the efforts to globalize Korean cuisine by offering healthful meals and beverages such as Samgyetang (ginseng chicken soup), acorn jelly and rice, noodles made of mulberry leaves, and Makgeolli (traditional rice wine). The company also offers trendy and chic menus through collaboration with Edward Kwon to please the taste buds of passengers.
Greener Catering Materials	To protect the environment and reduce waste, Asiana Airlines has changed the material for its meal container lids from PET synthetic plastics to corn starch. It serves the RA (Rainforest Alliance) certified coffee in all flights and has changed the travel class utensils from China Casserole to Temproware (new material) to reduce the weight on aircraft, thereby cutting carbon emissions.

Other Events



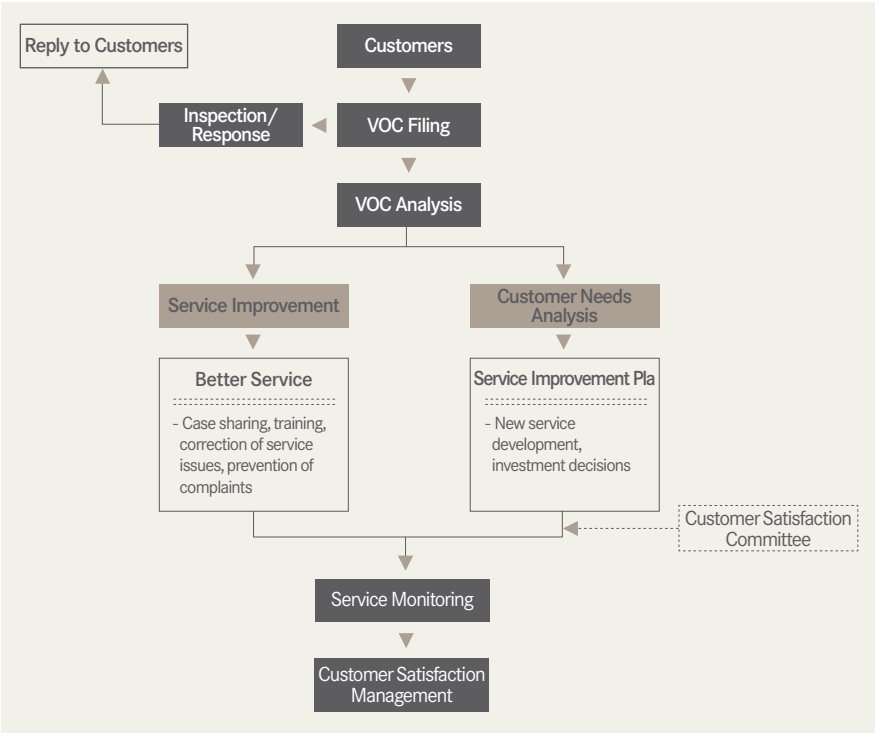
Asiana Airlines holds various events where children, multi-cultural families, families with many kids as well as the general public can enjoy themselves and get to know Asiana Airlines further as part of efforts to come closer to its customers.

Service	Description
Flight Attendant Class	Students with a passion for flight attendants, multi-cultural families, and three-generation families (grandmother-mother-daughter) can participate in flight attendant classes on basic etiquette, make-up, safety drills and cabin service. They can also take a simulation class where they can board the actual aircraft to have hands-on experience as flight attendants.
Asiana Magic School	Child members of Asiana Club are invited to Asiana Town during their vacation to watch magic performances and learn magic tricks from Asiana Flying Magic Team.

Better Service Quality Initiatives & Outcomes

VOC Management System

Any customer complaints and requests filed at the service frontline are resolved through 'One Stop Service' real-time, and a formal customer grievance redress process is in place to strengthen customer loyalty by offering reparation based on customer needs. VOC (Voice of Customers) filed through various channels including email or phone are compiled on a weekly basis to be analyzed for human resources management, work process improvement and new product development. Also, CSI(Customer Satisfaction Index), which counts the number of customers who have given praise to Asiana services out of one million passengers, and CCI(Customer Complaint Index) are reflected in the performance measurement of CEO and other top executives to hold them accountable for service quality management across the enterprise.



CUSTOMER SATISFACTION

Efforts to Improve Customer Satisfaction

Service Improvement through Quality Inspection by All Employees

Asiana Airlines has the service quality inspection scheme in place for effective diagnosis and management of service quality. For the inspection, airline service experts examine service quality of the frontline at every customer contact point ranging from airport, cabin, sales, operation and maintenance, suggest measures or ideas to enhance service quality across the board, and ask for correction to relevant departments. This is all part of efforts to proactively manage service quality to bring about higher customer satisfaction.

Also, Asiana Airlines has its executives, team leaders and branch heads to monitor all kinds of services offered when customers board the aircraft and report the results to the top leadership and the frontline. The feedbacks are incorporated with service improvement initiatives. The feedback scheme was expanded starting from September 2011 to include all executives and employees. Since then, it has been utilized as a tool to monitor other airline companies' service quality as well as Asiana Airlines. The generated output of the monitoring is incorporated into efforts to improve service quality real-time and establish differentiating strategy for the mid-to long-term.

Service Improvement based on Customer Satisfaction Survey

Asiana Airlines undertakes on/off-line customer satisfaction survey on a regular basis to ensure the highest level of service quality which examines overall service quality of the company and sets the direction for service improvement based on its understanding on customer needs.

There are a number of customer surveys: surveys for frequent flyers, surveys whose results are disclosed at the homepage, and surveys conducted by leading service evaluation agencies. Results from various surveys are leveraged to maintain and enhance Asiana's superior service quality. Apart from these, there is an audit by overseas professional service evaluation agencies. The audit results are thoroughly analyzed for proactive improvement so that Asiana Airlines can be in a position to provide the world's best service to its customers at all times.

Company-Wide Entity for Customer Satisfaction

Asiana Airlines periodically holds and operates 'Customer Satisfaction Committee', the decision-making body on service strategy and policy consisting of the top management, relevant executives and department heads. The committee, established in 1997, has been a cornerstone to drive enterprise-wide initiatives to improve customer satisfaction by designing customer satisfaction policies, allocating human resources to customer service, operating organization, and planning and enforcing measures to preempt any recurrence of customer complaints. For issues that require prompt decision-making on service policies, or alignment between different opinions over rules and procedure, the committee leaves the matters to the hands of the top management to enable prompt and efficient service management.

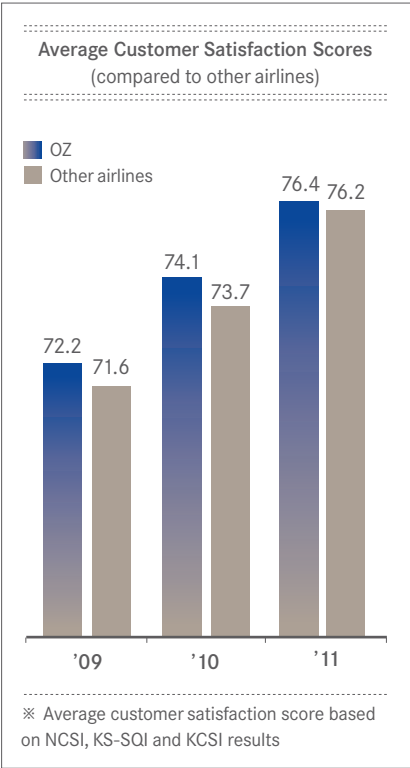
Service Improvement at Customer Contact Point



The efforts to improve service quality at the frontline and consequent outputs represent passion and commitment of Asiana employees to customer satisfaction. At airports, approximately 50 airport service managers are divided into five groups to conduct service inspection at 49 overseas airports and provide service consulting. They also make efforts such as overseas service training tours to narrow the service gap between domestic and overseas airports stemming from different service culture or environments. Furthermore, there are other service improvement endeavors like regular service improvement meeting, departure/arrival service TF for domestic flights, groundwork service TF, and seat assignment service TF, all of which are to identify shortfalls in service and drive improvement. AMIS (Airport Management Information System) to encourage employees to freely suggest new ideas and TIC (Think Innovation Committee) are two of many efforts to improve the work process through permanent regimes which encourage voluntary idea suggestion by employees.

For cabin service, which may represent the image of Asiana Airlines, the company constantly exerts efforts to offer the highest quality of service with which it can come closer to its customers under the slogan, 'Always with You'. Service Monitoring Committee which has 40 flight attendants as its inspectors examine on-board service quality of all flights at any given moment to identify services falling short of customer expectation and incorporate the results into on-board service improvement initiatives. Cabin Service Development Committee which consists of flight attendants with abundant frontline experience, leads new premium in-flight service development that can satisfy requests and demands of various customers. Combined with these, there are other efforts like Flying Advisor, three-month one-on-one intensive trainings for new flight attendants, and On the Spot, a training course to reinforce the quality of human services on the frontline. Periodic Cabin Service Improvement Meeting is also held to reach an agreement on overall service decisions such as improvement plan and direction.

In the passenger service sales, Passenger Service Improvement Meeting is held led by service leaders of major sales teams to upgrade passenger service and pursue overall improvement. The meeting has consistently driven researches on passenger service VOC and improvement initiatives. Thanks to its efforts, the automatic reservation procedure through ARS has been pruned down, service guidance comments have been inserted during the ARS wait time, and passengers are allowed to log on to the websites of Asiana Airlines, Asiana Clubs and in-flight duty free shops simultaneously through the improved log-in process. Reservation Center Council, the call conference between overseas reservation centers under overseas regional headquarters and domestic managers, develops SOP for standardized customer response per situation which can be applied to any markets beyond national boundaries, builds the IP environment to promptly provide accurate information to customer inquiries, leads the upgrade of information search system e-Manual and publishes the global reservation center standards by language, contributing greatly to enhancing reservation service quality.



CUSTOMER SATISFACTION

Personal Information Protection

Asiana Airlines collects the least amount of personal information of customers. Information that can be collected is confined to those needed to provide a wide variety of services to users, facilitate communication and maintain optimal information. It fully complies with the Personal Information Protection Act, Act on Promotion of Information and Communication Network Utilization and Information Protection, and others. It has also implemented optimal measures for information protection and does its utmost to make suitable responses.

2011 Milestones in Customer Satisfaction Management



In February 2009, Asiana Airlines received the annual award <Airline of the Year> from ATW (Air Transport World), the world-renowned air transport magazine. The award, deemed highly prestigious to be called as Nobel Prize of the airline industry, is given to the airline which excels other airlines in every aspect of operation. Recognized for its high expertise, fairness, and severe competition between candidates, the award has been given to only one airline every year since 1974. For this reason, awardees consider this as the highest form of privilege and recognition for their services.

Furthermore, Asiana Airlines has been included in the ‘5 STAR’ airlines selected by British research agency Skytrax since 2007 for its best services, won <Airline of the Year> voted by around 1.8 million passengers around the world in 2010, chosen as <2011 Airline of the Year> by the US Global Traveler, the world-renowned business travel magazine, achieving the outstanding milestone of winning <Airline of the Year> award for three consecutive years for the first time in the world.

In Korea, it is also recognized for its leadership in the airline service, ranking first in a variety of customer satisfaction surveys conducted by KPC (Korea Productivity Center), KSA (Korean Standards Association), KMAC (Korean Management Association Consulting) and others. In Korea, it is also recognized for its leadership in the airline service, ranking first in a variety of customer satisfaction surveys conducted by KPC (Korea Productivity Center), KSA (Korean Standards Association), KMAC (Korean Management Association Consulting) and others.

Other Awards in 2011 Customer Satisfaction Surveys

Award Name	Date	Entity
2010 Mercury On-Board Service Award - ‘The Child’ service	Feb 8, 2011	ITCA
No. 1 in 2011 NCSI for International Flight Service	Feb 17, 2011	KPC/ Chosun Daily/ Michigan State University
- World's Best Cabin Staff - World's Best Economy Class	June 22, 2011	SKYTRAX
- Top International Airline Frequent-Flier Program : No. 1(Gold)	July 2011	Executive Traveler
No. 1 in KS-WCI (Korean Standard - Well-Being Consumer Index)	Aug 25, 2011	KSA/ Yonsei University/ Chosun Daily
No. 1 in 2010 KCSI(Airline)	Sep 29, 2011	KMAC
No. 1 in 2011 KS-SQI(Airline)	Nov 17, 2011	KSA
Airline of the Year	Dec 1, 2011	Global Traveler
Best Customer Service in the World	Dec 8, 2011	Business Traveler

Airline of the Year for 3 Consecutive Years



ATW in 2009



Skytrax in 2010



Global Traveler in 2011

Top-Ranking in All of the 3 Customer Satisfaction Surveys for 2011



No. 1 in KPC NCSI for international flight service



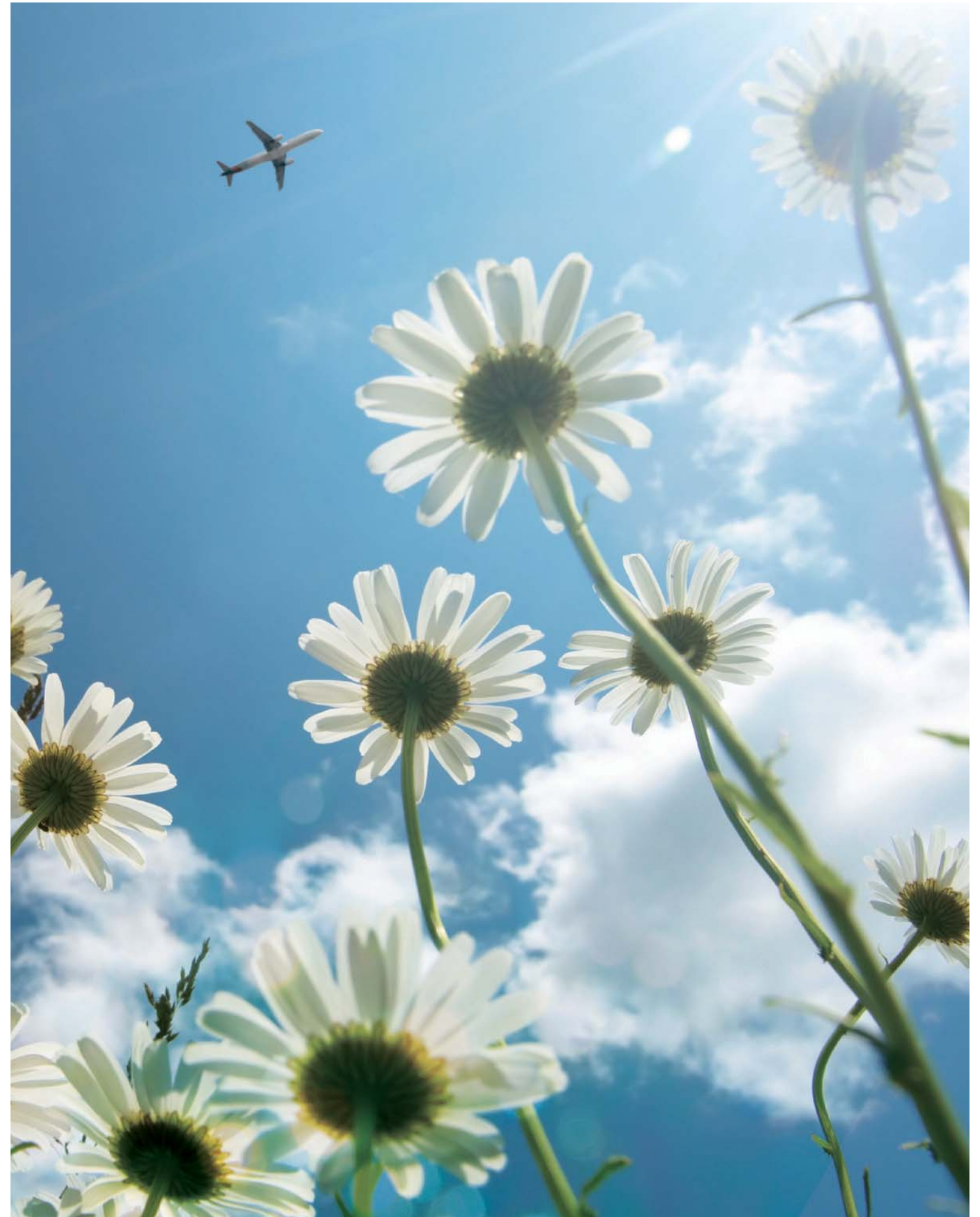
No. 1 in KMAC KCSI for airline service



No. 1 airline in KSA KS-SQI

Eco-Flight

‘The One and Only Earth, as Precious as Our Customers’
Asiana is environmentally friendly airline in harmony with nature.



GREEN MANAGEMENT

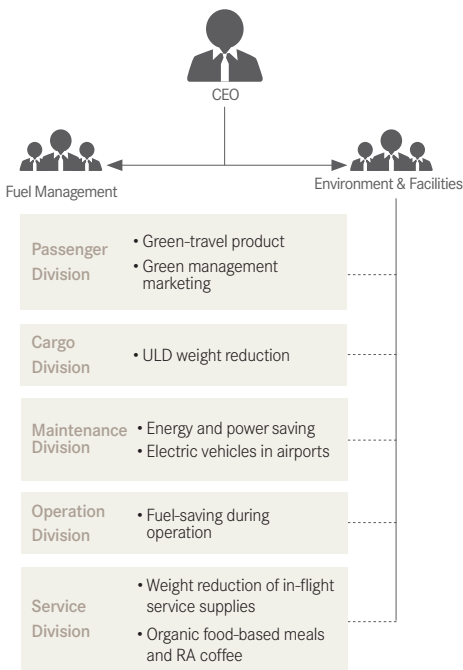
Green Management

Under the environment slogan, ‘The One and Only Earth, as Precious as Our Customers’, Asiana Airlines practices green management in all aspects of corporate operation from the leadership to the frontline. The company has selected green management as one of the core capabilities for corporate development, recognizing green issues not as compliance but as new growth engine.



하나밖에 없는 지구, 고객처럼 소중히
The one and only earth, As precious as our customers.

Vision & Organization



Vision	Environmentally friendly Airline in Harmony with Nature			
Green Policy	Minimize resource and energy consumption	Continue to lessen environmental impact	Proactively abide by laws	Promote growth inclusive of stakeholders and transparency through information disclosure
Green Activity	<ul style="list-style-type: none">Introduce the latest high-efficiency aircraft/engineContinue to enforce fuel-saving initiatives	<ul style="list-style-type: none">Implement Eco-FlightMaintain green practicesIdentify improvements through working-level environment council	<ul style="list-style-type: none">Keep within less than 50% of the legal limitDevise schemes to induce voluntary GHG reduction	<ul style="list-style-type: none">Publish Sustainability ReportWage green campaigns engaging customers

Asiana Airlines, which drives ‘Environmentally friendly Airline in Harmony with Nature’, works to minimize its footprint on the environment: It defines four green policies and related initiatives and implements green management practices ranging from prevention of air/water pollution and waste management to Eco-Flight which engages customers for greener operation.

Green Management in 2011



Scope	Major Activities
Eco-Flight	<ul style="list-style-type: none">GHG emissions reduction : 90,258 tonsFuel efficiency : 32.3 L / 100RTKCarbon offset program<ul style="list-style-type: none">Amount : 2,713 tonsAccumulated value : KRW 56.41 Mn, Spent : KRW 41.056 MnCarbon labeling<ul style="list-style-type: none">Accreditation on Gimpo-Jeju (Sep 27) : Certified amount (60kgCO₂/person)Green campaign<ul style="list-style-type: none">Carbon offset campaign in Incheon and Beijing (China)Tree-planting project for Eco-City in Tianjin (China)365 Eco-Life campaign ads (aired on YTN and on-board)
Green Management	<ul style="list-style-type: none">Projects<ul style="list-style-type: none">Solar-powered street lights installed at Angkor Wat, Cambodia for tourist safety (18 lamps)Joint tree-planting campaign with ANA airlines (Japan)Green School (5 sessions)Asiana Green<ul style="list-style-type: none">Asiana Green Life campaign (Mar 18-Apr 30) : Green rules in daily livesAsiana Green Travel (June 23-Aug 7) : ‘Pack Light’ campaign for travelGreen lifestyle campaign in association with Greenstart (Sep 9-Oct31)Green company<ul style="list-style-type: none">Green company status maintained for the Gimpo worksite and the Incheon HangarSME technology support (GHG inventory)Participation in community environment campaignsEnvironment education<ul style="list-style-type: none">Round-table meeting with partners (quarterly)Environment education for newly employed (including new recruits and laterally hired) (10 times per year)
Response to GHG regulation	<ul style="list-style-type: none">Response to EU ETS<ul style="list-style-type: none">Completing performance verification on all EU flights for flight frequency, fuel supply, RTK, etcGHG/Energy target management system<ul style="list-style-type: none">Submitting specification, target negotiation, target allocation and action plansVoluntary agreement for GHG reduction<ul style="list-style-type: none">Satisfying targets laid out in the 1st round agreement and submitting action plans for the 2nd round of agreement (in 2012)Asiana GHG Information System<ul style="list-style-type: none">Fuel burn, GHG emissions, transport volume, basic unit of all flights can be researched in detail
Environment Management	<ul style="list-style-type: none">Internal regulation for pollutants kept in less than 50% of the legal limitEnvironmental impact assessment and monitoring
Award	<ul style="list-style-type: none">Sustainability Leader in air transport by Dow Jones Sustainability Index for 3 consecutive years (KPC, Dow Jones)Green Product of the Year (Incheon-London route) for 2 years in a row (by Korea Green Purchasing Network)Green Star accreditation in airline service for 2 consecutive years (by KMAR)Minister Award for GHG reduction on Korea Aviation Day (Ministry of Land, Transport and Maritime Affairs)

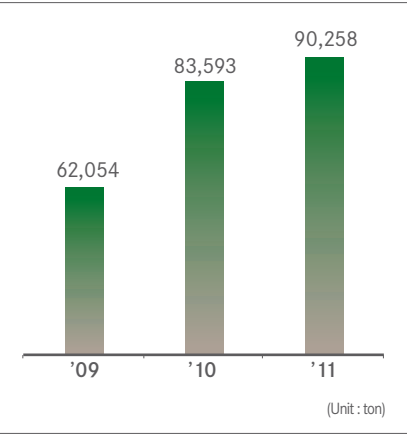
GREEN MANAGEMENT

Eco-Flight

90,258 tons

(GHG reduction in 2011)

CO₂ Reduction Trend ('09 -'11)



Carbon Offset

Eco-Flight of Asiana Airlines is the highest-standard green operation which can be achieved with support from customers by “minimizing energy consumption throughout the operational procedure” and “engaging customers in its journey to carbon reduction and green management”. Eco-Flight, which practices fuel-saving in all areas ranging from operation to cabin, maintenance, airport and service, was first launched for the Gimpo-Haneda route in 2010, which was extended later to all flight routes of Asiana Airlines.

Reduction Rate by Year (%)			
Year	2009	2010	2011
Flight Procedure Improvement	1.3	15.1	14.1
Fuel Load Policy Revision	56.8	50.6	49.2
Route Operation Improvement	11.6	4.5	13.4
Weight Management	11.7	15.2	10.8
Engine Washing	18.6	14.6	12.5
Total	100	100	100

In May 2008, Asiana Airlines introduced its carbon offset program for the first time in Korea to join the global trend to prevent global warming. Its carbon offset program is applied to business trips of employees: GHG emitted by flights Asiana employees used for business trip will be translated into EUA price to be amassed in the carbon offset fund, which can be spent for green causes like installing solar lights. The offset program, kicked off in 2008, has enabled Asiana Airlines to offset about 8,500 tons of GHG by 2011. The company signed an agreement with KEMCO (Korea Energy Management Corporation) and provides easy access to KEMCO's carbon-neutral program for its website visitors.

Carbon Labeling

Carbon Labeling is an accreditation scheme designed by the Ministry of Environment to certify GHG emissions by the goods/service production of leading companies with strong commitment to GHG reduction, transparency in emission information, and systemic GHG management. So far, upwards of 500 goods and services have been accredited including air service by Asiana Airlines.

Asiana Airlines received the carbon labeling certificate in the air transport service sector (142KG CO₂/person, A330-300, Gimpo-Haneda route) on April 15, 2009 from the Ministry of Environment. Up until now, it received a total of five certificates including carbon labeling of three passenger flight routes to Europe (Incheon-Frankfurt: 797KG CO₂/person, Incheon-London: 895KG CO₂/person, Incheon-Paris: 912KG CO₂/person, B777-200ER), and the Gimpo-Jeju route in September 2011(60KG CO₂/person). Additionally, Gimpo-Haneda route was re-certificated in march 2012(135KG CO₂/person).



GHG Management

Aircraft GHG Emissions Trend					
Category	2007	2008	2009	2010	2011
Aircraft Emission (tCO ₂)	4,490,807	4,806,323	4,687,567	5,020,748	5,376,541
Fuel Burn (ton)	1,424,768	1,526,326	1,488,831	1,595,122	1,707,917
Intensity (32.3L/100RTK)	32.9	34.4	33.5	31.0	32.3

Note] RTK(Revenue Ton Kilometer) : A standard unit of air transport demand, defined as one ton of revenue passenger and/or cargo transported over one kilometer ; sales index for airlines.

Utility Consumption			
Category	2009	2010	2011
Electricity (kwh)	24,900,522	25,621,980	25,335,820
Water Supply/ Wastewater(ton)	165,440	174,582	181,393

The GHG emissions in 2011 increased by approximately 7.0% year-on-year due to the increase in business activities brought about by more airplanes and expansion of flight routes. The unit fuel burn of aircraft (fuel burn per RTK) has also increased by about 1.6%. This is largely because the growth of transport demand was dampened by the Japanese earthquake and economic crisis in Europe to be lower than fuel consumption increase driven by increases in equipment and flight routes. The usage of electricity, water supply and sewage services has been also on the increase.

GREEN MANAGEMENT

Response to GHG Regulation

EU ETS (European Union Emission Trading Scheme)

As the GHG regulations took into effect for all EU routes operated by about 4,000 airlines across the world on January 1, 2012, Asiana Airlines received validation by an outside agency on its GHG emissions and passenger and cargo performances, and submitted the results to the Federal Environment Ministry of Germany (DEHSt), bracing itself for full-scale emissions credit transaction.

GHG/Energy Target Management System

Asiana Airlines becomes subjected to GHG regulations starting from 2012 and therefore its GHG emissions from domestic flight aircraft and worksites (the headquarters, domestic airports, local branch offices) have to be kept within the quota as its industry came under the GHG/energy quota system. The supervising entity (Ministry of Land, Transport, and Maritime Affairs) allocated GHG reduction target for 2012 in September 2011, and in March 2012, Asiana Airlines submitted the report after validation on its emissions. The GHG emissions from domestic flights and ground facilities account for 4~5% of the total, but Asiana strictly controls its GHG emissions for sustained decrease through data management and long-term fuel-saving initiatives.

Voluntary Agreement for GHG Reduction

In July 2010, Asiana Airlines signed a voluntary GHG reduction agreement with the Ministry of Land, Transport and Maritime Affairs to set the target of reducing GHG emissions by 2.5% based on the average annual fuel efficiency for the past three years, and developed detailed implementation plan to reduce GHG emissions for one year. As a consequence, it has significantly improved fuel efficiency by reducing the weight of on-board supplies and the weight of aircraft, improving performance of aircraft equipment, finding the optimal cruise speed and applying an economically sound operational procedure, all of which contributed to improving fuel efficiency by 5.7% compared to the baseline year. For 2012, the company set the target of improving efficiency by 2.0% and engages in various initiatives to attain the goal.

GHG Reduction & Higher Fuel Efficiency

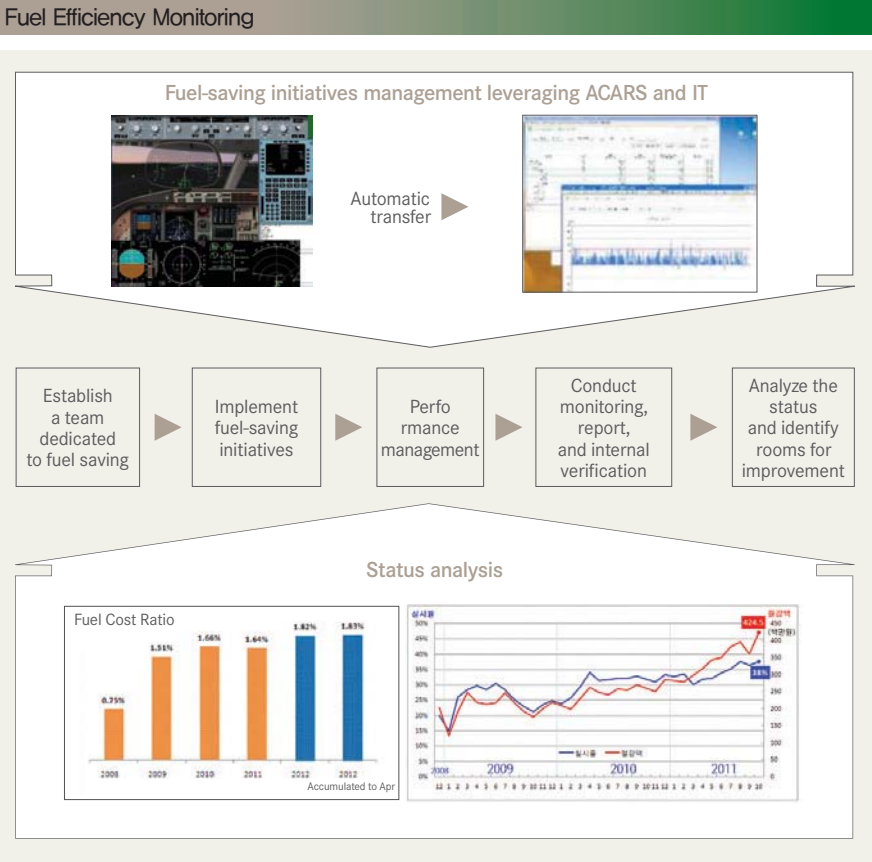
Fuel Efficiency

In 2009, IATA mandated all airlines across the world that they should improve their fuel efficiency by 1.5% every year until 2020, promote carbon neutral growth from 2020 and reduce GHG emissions to 50% of the 2005 baseline emissions in 2050. Asiana Airlines is striving to be aligned with the IATA target by reducing fuel oil consumption and GHG emissions.

System Monitoring Process for Fuel Reduction

Fuel & GHG Monitoring System

Asiana Airlines has established a department dedicated to CO₂ reduction, which monitors upwards of more than 70 fuel-saving initiatives individually. All fuel-saving data are transferred from aircraft to ACARS to be archived in the folder where the person in charge can have direct access to.



Fuel Monitoring System

Fuel burn, aircraft weight and other operational information per aircraft is transferred to the central system of Asiana Airlines. The data are utilized to compare the gap between the operational plan and the actual fuel burn to derive the most optimum conditions, and distribute a checklist to confirm the fuel-saving initiatives are implemented during flights. The checklist results are saved in the central system to monitor future fuel-saving activities, which can be leveraged as a tool to estimate the further reduction through statistical analysis and operational management for better efficiency.

GREEN MANAGEMENT



GHG Information System (AGIS)

Asiana Greenhousegas Information System(AGIS)

Asiana Airlines has designed the GHG information system in 2011 in an effort to proactively respond to a gamut of GHG regulations home and abroad, and collect GHG information per aircraft. The system enables Asiana to gather information on fuel burn, CO₂e (Tier1 / Tier2), transport volume and basic unit. The company is planning to collect and compile all emissions information through its inventory system such as ground emissions from buildings and cars, and emissions from branch offices.

New Aircraft

Asiana Airlines always works to introduce superior aircraft and equipment with better fuel efficiency while engaging in activities to reduce fuel and energy consumption. These days, because of the rapidly rising oil price, higher fuel efficiency is the first and foremost priority for both aircraft manufacturers and airlines alike when introducing new aircraft. Asiana Airlines has selected A350XWB and A380 as its next-generation aircraft as they are renowned for 20-30% higher fuel efficiency and less GHG emissions. The new aircraft will be incrementally introduced for operation in 2014 and onwards.

Green Activities on Airport



Eco Counter

Electric Vehicles

Asiana Airlines has introduced electric vehicles for its aircraft maintenance around the airports to reduce GHG emissions and fuel expense. Test operation was conducted in late 2010, and the electric vehicles were officially introduced in early January 2011. As of late 2011, Asiana operated six electric vehicles at Incheon International Airport, one at Gimpo Airport and one at Busan Airport with the plan for additional electric vehicles in 2012. The battery recharge facilities for electric vehicles will be expanded after consulting with the airport corporations for increased usage of electric vehicles.

Eco Counter

Marking the Earth Day in April 2011, Asiana Airlines opened two Eco-Counters at the passenger terminal on the 3rd floor of Incheon International Airport and one Eco-Counter at the international flight terminal on the 2nd floor of Gimpo Airport. Eco-Counters are designed exclusively for passengers traveling with no baggage, and equipped with machines that give out cypress aroma making the visitors feel like they are in the middle of woods. Visitors can also watch environmental documentaries via digital frames or read leaflets on eco-traveling at Eco-Counter. As the counters have much less waiting time compared to other regular counters, shortening time for boarding, they are mainly used by frequent flyers who make business trips very often and carry no baggage.

Average number of passengers per month visiting Eco Counter : 7,500 people (Incheon International Airport), 1,500 people (Gimpo International Airport)

Green Communication

Asiana Green with Passengers



Green Travel Green Life Campaign



Tianjin Eco-City Tree Planting Campaign in 2011

Asiana Green School



Asiana Airlines waged an on-line campaign to promote environment-friendly travel and lifestyle among customers and encourage their participation in the campaign. For ‘Asiana Green Travel’ campaign, launched in 2009, more than 100,000 customers pledged to practice green travel and lifestyle. The campaign shared tips on packing lightly, held Asiana Green photo exhibition and organized an idea contest for Green Summer to spread easy and small changes that one can make in one’s daily life.

In April 2011, the ‘Carbon Offset’ campaign was waged at Incheon and Beijing airports to donate carbon offset money raised by customer participation in the tree-planting fund for Eco-City. The money was spent to plant trees lining streets of Eco-City located in Tianjin, China. Moreover, in November, it produced a public awareness advertisement in collaboration with Eco Mom Korea on green travel which shares greener travel tips with passengers, which is aired in-board.

Since 2007, Asiana Airlines has opened Asiana Green School to primary school students living in Gangseo district where they can have a tour around environmental facilities of the company to raise their awareness about environment protection. The school was first organized by the Gangseo district office to give students an opportunity to look at the green facilities of Asiana Airlines, the big business with best practices located in the neighborhood. It has contributed significantly to raising children’s awareness about the environment. Around 200-300 students have participated in the Green School sessions so far since 2007. And more recently, the severity of climate change, its consequent implication on aviation as well as basic environment information were added to the curriculum to enable students to better understand the most recent environment issues.

GREEN MANAGEMENT

External Activities

In partnership with AAPA and STAR Alliance, Asiana Airlines engages in efforts to cut aircraft fuel burn and energy consumption at the ground facilities of member airlines. It has also made joint responses with members about environment policies of governments and the global community while carrying out green projects in liaison with governments, and sharing information on climate change and green management initiatives.

Category	Champion	Description
Domestic	BISD (Business Institute for Sustainable Development)	<ul style="list-style-type: none">• Offer industry opinions on environment regulations and policies home and abroad• Gather industry opinions to develop sustainable development strategy
	KBCSD (Korea Business Council for Sustainable Development)	<ul style="list-style-type: none">• Suggest industry or environment policies and set the direction• Collect business opinions
	National Assembly Climate Change Forum	<ul style="list-style-type: none">• Report opinions and feedbacks on climate change policies to the government
	Green Company Council	<ul style="list-style-type: none">• Share information between green companies and consult policy improvement
Overseas	AAPA(Association of Asia Pacific Airlines)	<ul style="list-style-type: none">• Facilitate discussion on environmental issues and share information
	Star Alliance	

Environment Management

Green Company

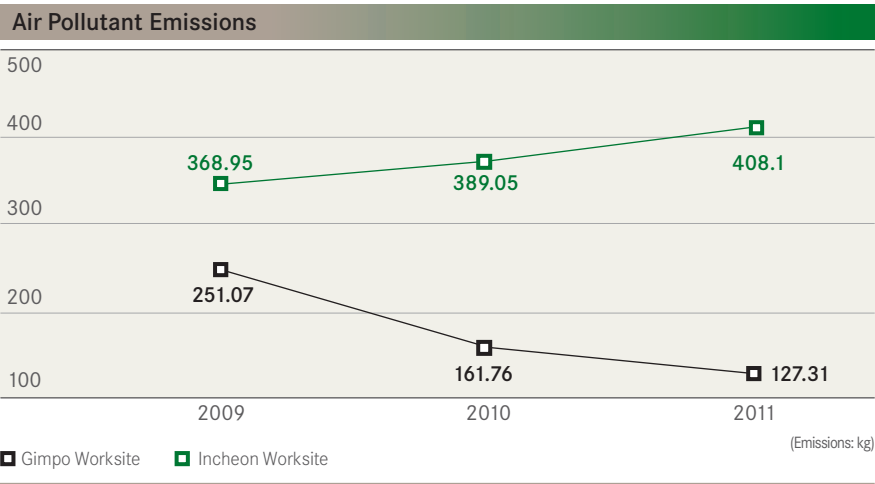
Two of the work sites of Asiana Airlines (Gimpo and Incheon) have been maintaining their Green Company status since they had acquired the accreditation. (Gimpo in 2001 and Incheon in 2006) To minimize pollutant emissions, Asiana Airlines works to keep the level emissions from all of its environment facilities in less than 50% of the legal limit. It also participates in community environment campaigns, and offers technology support to SMEs on eco-friendly business practices and preemptive pollution management.

Pollutant Management

When it is inevitable for the company to emit certain pollutants, Asiana Airlines sets the internal limit that emissions should not exceed the 50% level of the legal limit, and strictly monitors the compliance status. It also consistently observes any changes to the concentration level of pollutants through frequent monitoring, and makes an immediate response if the fluctuation exceeds a certain level. Such rigorous practices enabled the company to achieve the impressive milestone of zero environmental accidents for 12 consecutive years in 2011.

Air Pollutant Management

Asiana Airlines has highly advanced control facilities to fend off air pollution that minimize emissions per source since various chemicals for aircraft maintenance can affect the atmospheric environment when they are emitted to the air during maintenance work. The company also conducts periodic monitoring and shares the results with relevant departments and the frontline.



Note] During 2011, the maintenance frequency at the Gimpo worksite where most aircraft for domestic flights goes under inspection, decreased slightly, but the frequency at Incheon, where most of the international flight aircraft is examined, has increased. As a result, the overall emissions amount has rather increased.

Water Pollutant Management

To control water pollutants, Asiana Airlines checks the status of water treatment facilities on a regular basis, while undertaking frequent inspection and cross-check to confirm smooth operation of the facilities and boost the reliability of water quality data. As it fully understands the pollution load of high-concentration slurry can go higher if it is treated within the company, it commissions out the task 100% to an outside specialized agency to comply with relevant laws.

Water Pollutants Density						
Gimpo Hangar						
Category	2009		2010		2011	
	Legal Limit	Asiana's Wastewater Density	Legal Limit	Asiana's Wastewater Density	Legal Limit	Asiana's Wastewater Density
COD	130	18.68	130	13.61	130	13.46
SS	120	14.74	120	11.57	120	20.06

Note] Density Unit(mg/l)

GREEN MANAGEMENT

Incheon Hangar

Category	2009		2010		2011	
	Legal Limit	Asiana's Wastewater Density	Legal Limit	Asiana's Wastewater Density	Legal Limit	Asiana's Wastewater Density
COD	20	3.11	20	2.78	20	2.55
SS	20	0.72	20	1.46	20	1.59

Note] Density Unit(mg/l)

Waste Management

Asiana Airlines has in place a highly efficient resource recycling system which separates waste materials by their shape and type at the source for efficient waste collection. The system ensures legitimate management of all wastes from collection to final disposal, enables efficient waste collection and provides various recycling methods. Asiana has relentlessly worked to increase its waste recycling rate and thanks to such efforts, it currently recycles about 65-68% of its entire wastes.

Waste Disposal & Recycling Rate

Category	2009		2010		2011	
	Waste Amount (Ton)	Recycling (%)	Waste Amount (Ton)	Recycling (%)	Waste Amount (Ton)	Recycling (%)
Waste	4,621	65.1	4,913	68.2	5,464	66.7

Chemicals Management

Chemical materials are handled and managed via AMIGOS-II, a comprehensive chemical management system which integrates data on every movement of chemicals within the company. As for chemical materials used for aircraft maintenance, the MSDS system is in place for management. Asiana Airlines proactively search for environment-friendly alternatives to all chemicals it uses, and ensure proper handling of waste chemicals by reviewing MSDS on the necessary items after usage. It also provides chemical management training for safe management of new chemicals and adjustment for GHS (Globally Harmonized system of Classification and Labeling of Chemicals) introduction.

Aircraft Noise Management

Asiana Airlines takes necessary measures to minimize noise from aircraft operation. It applies the ICAO noise standard to all of its aircraft, following the noise abatement procedure for takeoff recommended by ICAO.

Aircraft Status by Noise Level

Aircraft Type	Engine Type	ICAO Standards	Noise Level (Korea)	2009	2010	2011
B737-400	CFM56-3 B2	Chapter IV	Level 6	3	3	2
B767-300S	CF6-80C2-B2F			7	7	7
B767-300F	CF6-80C2-B6F			1	1	1
B777-200ER	PW4090			10	10	11
A320-232	IAEV2527-A5			11	11	11
A321-131	V2530-A5			2	2	2
A321-231	V2533-A5			13	13	15
A330-323	PW4168A			8	8	10
B747-400	CF6-80C2-B1F			12	12	12
Total number of aircraft				67	69	71

Note 1) Satisfies ICAO Chapter IV (based on specifications)

2)Chapter IV : Aircraft that meets the noise management standards described in 4.4.1 of Chapter IV, the noise regulation standards by ICAO, which means it is in compliance with the highest-level of noise management policy. Aircraft that meets the standards of Chapter IV by ICAO is classified into the sixth grade and considered as aircraft with the best noise abatement capability.

Green Purchase

Asiana Airlines has established the green purchase guideline which enables the company to primarily purchase eco-friendly products, and applied the guideline to all areas as long as compliance with the guideline does not adversely affect aircraft operation and maintenance process. It has also devised standards to review environmental practices of its partners and oversees their compliance through AVEPS. Suppliers also have to practice green purchasing to be selected as partners of Asiana Airlines, and those who actively opt for green purchasing earn extra points to be reflected in the partner evaluation results.

(Unit : KRW 1 mil.)

Category	2009		2010		2011	
	Purchase Items	Purchase Cost	Purchase Items	Purchase Cost	Purchase Items	Purchase Cost
Green products	26	1,173	23	1,493	23	2,133

SOCIAL RESPONSIBILITY

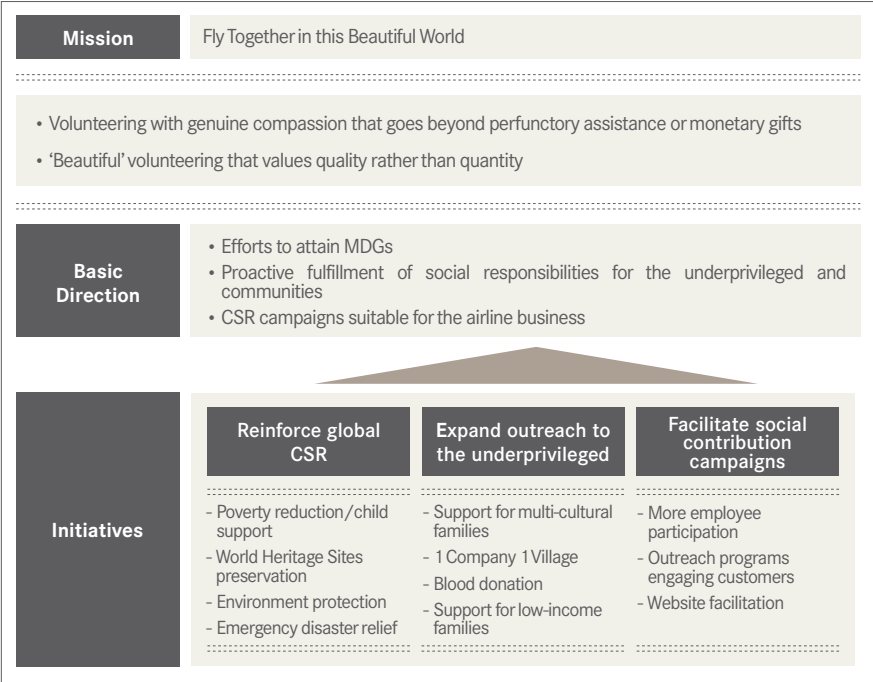
Asiana flies beyond the national boundaries to lead socially responsible campaigns across the globe. As a member of the global community, Asiana will faithfully fulfill its social responsibilities.



SOCIAL RESPONSIBILITY

Corporate Social Responsibility(CSR)

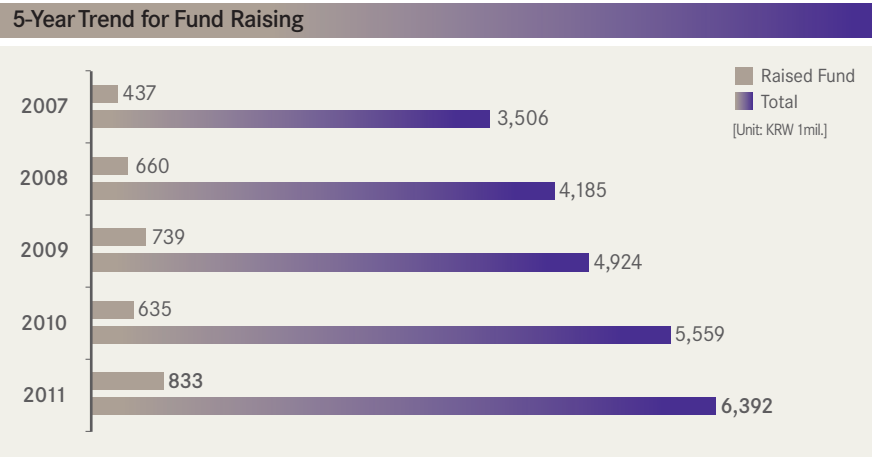
Asiana Airlines fulfills its social responsibilities and roles as a ‘Beautiful Company’, and expands the scope of CSR to befit its status as a global leader that has achieved the Golden Grand Slam in 2011. Under the slogan ‘Fly Together in this Beautiful World’, Asiana Airlines goes beyond giving perfunctory assistance to make more structured efforts in helping those in need by establishing a department dedicated to CSR in 2011.



To realize a ‘Beautiful’ world where everyone can fly and dream together, Asiana Airlines practices CSR campaigns revolving around three areas : reinforcing global CSR, extending help to the underprivileged, and facilitating CSR. Through these campaigns, Asiana aims to become a leader with excellence in the area of CSR.

Corporate Social Responsibility - Global

Spare Coin Collection with UNICEF
Asiana Airlines has been working with the Korean Committee for UNICEF (United Nations Children’s Fund) to jointly carry out the ‘Change for Good’ campaign. The campaign was first launched on the international flights, growing to become the most representative CSR campaign of Asiana Airlines. In 2011, the fund raised through the campaign exceeded KRW 6 billion, the highest amount since the campaign was launched. The raised fund is donated to UNICEF in order to help underprivileged children all around the world.



1 Company 1 Village Campaign for the Aeta Tribe

1 Company 1 Village (Aeta Tribe)
After signing the ‘Global 1 Company 1 Village’ agreement with the Aeta tribe in the Philippines, Asiana Airlines has constructed potable water supply and toilet facilities for the Aeta community to enhance health and welfare of the tribe. In 2012, Asiana plans to carry out a home improvement project building 60 modern homes, teach farming technologies to support residents to achieve economic independence.

Saek-dong Solar Lights (Siem Reap, Cambodia)
Signing an MOU with KOICA, Asiana Airlines installed eco-friendly solar-powered street lights around Angkor Wat in Siem Reap, Cambodia in order to protect the UNESCO World Heritage and ensure safety of tourists at night. With 18 street lights installed in 2011, the company plans to install 17 more in 2012 with the plan of installing a total of 50 solar street lights.

SOCIAL RESPONSIBILITY



Joint Social Contribution with ANA - Charity Bazaar

Joint CSR with ANA

Asiana Airlines and ANA of Japan are making a combined environmental effort to improve the landscape around Incheon and Yonago airports. So far, the tree-planting campaign has been waged for four times to grow forestry around the airports to mitigate wind and airport noise, which can help improve the community environment nearby the airports. In 2011, the two airlines held a joint charity bazaar at the ANA headquarters in Tokyo to raise the fund for reconstruction of the eastern Japan which had been devastated by the earthquakes. The bazaar sold items donated from ANA employees along with indigenous products. The proceeds were donated to the fund to restore forests in the eastern Japan.

Habitat in Vietnam

Since December 2004, OZUNICEF, one of the volunteer clubs of the company, has been building houses primarily for the poor families with children in B n Tre Province of Vietnam, a district known to have many extremely poor families. In 2011, the volunteer club completed construction of the 35th home for the community.

This project was started by the initiative of club members, and has been funded with their monthly membership fees. The company also renders support by donating money and flight tickets once a year to help club members visit Vietnam themselves.

Corporate Social Responsibility – Korea



Books in Mother Tongues for Multi-Cultural Families

Asiana Bazaar

Every spring, Asiana Airlines holds a bazaar where all employees donate at least one item per person, and participate by selling food and goods collected in a campaign. Until the 7th event in 2011, KRW 170 million was raised through bazaars, all of which has been used to support multi-cultural children to read books in their mother tongues and help neighbors in need. Asiana Bazaar has grown to a festival for the community where every participant can be entertained and enjoy their time together by inviting the underprivileged of the community.

Books for Multi-Cultural Families

To enhance understanding on multi-cultural families, Asiana Airlines donated a total of 7,700 books of eight countries collected by Asiana overseas offices. In 2011, it spent the proceeds from Asiana Bazaar to support books to multi-cultural families in Gangseo and Guro districts.

1 Company 1 Village

The senior executives and employees of Asiana Airlines visit Sanchoeul village in Hongcheon, Gangwon Province, the sister village of Asiana Airlines twice a year with their family members for volunteering. It has also signed an agreement with the village to buy germinated brown rice produced there for the first-class in-flight meals, helping the village achieve economic independence, and granted scholarship to students of troubled families. As Asiana Airlines has brought many benefits to Sanchoeul village, the 1 Company 1 Village campaign has been recognized as the best practice, with the award given by National Agricultural Cooperative Foundation.

Volunteering Activity

Art & Culture – AISFF

AISFF (Asina International Short Film Festival) is the largest international short film festival in Korea, which encourages cultural diversity by giving short film makers who get relatively little attention from the public a channel to present their works. Through AISFF, Asiana Airlines supports short-film making, nurtures directors with talents, and takes its in-flight service to the next level by showing great short-films as in-flight movie entertainment. In 2011, AISFF marked its 9th anniversary with 2,173 films from 90 countries.

Salary Round-off Donation

Employees of Asiana Airlines have participated in the donation campaign called ‘Salary Round-off’ since September 2006. They set aside any amounts less than KRW 1,000 (about \$1) from their salaries and donated the money to the fund for neighbors in needs. The company also provides 100% matching grants to support their charity efforts. In 2011, the fund was spent to help low-income families purchase rice and kimchi, and improve lunch service of primary schools in Gangseo district.

CSR by Team/Office

Asiana people take initiative in forming volunteering corps themselves by team and office to engage in various social contribution campaigns. So far, 76 volunteering groups have been formed in total. About 14 of them were formed by overseas branches in China and Japan, and domestic offices established 62 teams including the one by the Gimpo service office and B.O.A (formed by cabin crew). They have carried out 550 social contribution activities both home and abroad for the past year. This is all part of the efforts by Asiana people to reach out a helping hand to those vulnerable in our communities.

Emergency Relief

Asiana Airlines delivered emergency relief supplies to disaster-stricken areas across the globe by leveraging its mobility as an airline company. Especially, when the affected area is not readily accessible by other transport modes, for example, areas affected by the Japanese earthquake and Thai floods in 2011, Asiana Airlines set aside a special flight to those areas to promptly deliver relief supplies for survival such as bottled water, cup noodles, and blankets. It also donated KRW 500 million raised by its employees to residents of Ibaraki, Fukushima, Miyagi prefectures right after the earthquakes devastated the cities.

Volunteering in Relay

To make more contribution to communities, employees of Asiana Airlines participate in volunteering campaigns twice per month in relay. On the last Friday of every month, in partnership with the North Gyeonggi Branch of World Vision, Asiana employees cook and deliver lunch to children and seniors who often skip meals because of poverty. And on the third Thursday of every month, Asiana people go to Yangcheon Migrant Workers’ Center to cook Korean foods with multi-cultural families and bring the foods to the underprivileged living nearby.



Emergency Relief

APPENDIX

Providing Service and safety of the highest standard,
Asiana has become a global leader in airline industry

Consolidated Financial Statement

The 24th Business Period: as of Dec. 31, 2011
The 23rd Business Period: as of Dec. 31, 2010
The 23rd Business Period¹⁾: as of Jan. 01, 2010

(Unit : KRW)			
	24th Period	23rd Period	23rd Period ¹⁾
Assets			
Current assets	1,094,986,290,810	1,039,860,299,835	1,064,215,462,203
Cash and cash equivalents	197,773,237,915	210,525,180,776	155,736,487,000
Short-term financial instruments	36,206,122,083	8,890,713,410	11,174,551,110
Trade receivables	494,212,594,713	482,878,682,614	458,189,674,654
Account receivable	34,613,681,545	23,360,557,416	18,837,065,295
Accrued revenue receivable	20,614,744,251	14,312,723,212	11,905,028,381
Short-term loans	17,188,483,126	14,851,000,000	111,295,990,000
Advance payment	75,336,739,695	77,799,219,017	64,149,579,143
Advance payment in cost	26,261,307,447	34,276,185,023	38,965,114,010
Prepaid taxes	2,600,438,947	3,051,848,016	3,468,324,219
Inventories	158,412,920,813	139,039,251,406	110,639,948,911
Current portion of derivatives instrument assets			93,577,456
Current portion of guarantee deposits			48,484,054,565
Loss on deferred disposition of current tangible assets	30,804,938,945	30,804,938,945	30,804,938,945
Other current assets	961,081,330	70,000,000	471,128,514
Non-current assets held for sale		946,545,509,019	
Non-current assets	4,652,445,154,755	4,272,028,825,197	5,219,281,142,068
Long-term financial instruments	34,500,000	37,500,000	37,500,000
Financial assets available for sale	233,762,144,509	118,345,683,372	132,087,678,929
Investments in affiliates	143,443,691,630	276,576,299,514	1,300,914,219,106
Long-term loans	48,605,442,704	43,071,936,647	40,049,849,780
Derivatives instruments assets			47,108,227
Guarantee deposits	354,984,556,626	349,564,983,246	287,205,122,203
Loss on deferred disposition of tangible assets	252,666,386,280	283,471,323,342	314,276,260,403
Deferred income tax assets	64,606,821,817	86,334,079,063	174,800,084,402
Tangible assets	3,241,886,897,651	3,087,683,015,105	2,941,131,123,928
Real estate investments	108,816,520,757		
Intangible assets	201,548,507,165	24,726,620,602	26,228,684,166
Other intangible assets	2,089,685,616	2,217,384,306	2,503,510,924
Total assets	5,747,431,445,565	6,258,434,634,051	6,283,496,604,271

Consolidated Comprehensive
Income Statement

The 24th Business Period: Jan. 01 to Dec. 31, 2011
The 23rd Business Period: Jan. 01 to Dec. 31, 2010

(Unit : KRW)			
	24th Period	23rd Period	23rd Period ¹⁾
Liabilities			
Current liabilities	2,895,267,425,210	2,607,719,786,190	2,687,653,614,850
Trade payables	248,163,625,550	207,185,664,568	170,262,864,686
Short-term borrowings	3,320,148,383	34,712,174,259	432,576,431,578
Advance receipts	299,688,461,794	307,653,187,265	258,008,904,097
Income inadvance	3,707,368,920	3,519,324,851	4,374,788,445
Withholdings	31,082,331,967	27,928,485,427	20,965,733,317
Non-trade payables	385,363,711,013	270,623,347,483	274,791,496,170
Accrued expenses	86,818,129,907	108,143,821,025	62,444,170,201
Accrued corporation income tax	17,836,568,873	5,583,461,213	2,206,368,098
Withholding taxes	112,298,201,547	82,223,925,768	54,481,065,473
Current portion of debentures	636,295,649,278	818,108,163,557	804,881,175,744
Current portion of long-term borrowings	868,092,204,469	481,326,666,660	406,167,880,740
Current portion of obligations under financing leases	108,854,870,473	238,940,693,405	176,917,652,287
Current portion of derivative liabilities	93,746,153,036	21,770,870,709	19,575,084,014
Non-current liabilities	1,990,876,607,115	2,736,591,475,310	2,775,179,379,646
Debentures	629,281,850,129	859,164,684,553	1,009,696,114,233
Long-term borrowings	136,114,106,838	406,234,893,757	227,266,333,340
Obligations under financing leases	601,192,395,590	799,722,209,614	895,818,877,290
Financial derivative liabilities		75,012,311,664	84,200,576,601
Accrued severance benefits	135,303,201,952	201,555,923,065	205,205,644,316
Long-term advances	355,872,846,608	297,172,846,608	264,038,811,227
Long-term income in advance	8,906,864,471	2,948,673,133	4,602,559,657
Long-term accounts payable	33,521,103,702	39,033,840,346	40,019,153,101
Provisions	44,787,946,028	50,458,785,076	37,099,697,708
Other non-current liabilities	45,896,291,797	5,287,307,494	7,231,612,173
Total liabilities	4,886,144,032,325	5,344,311,261,500	5,462,832,994,496
Shareholders' equity			
Capital stock	916,536,240,000	892,112,895,000	875,872,115,000
Capital surplus	1,119,928,066	1,117,982,787	1,113,243,638
Accumulated other comprehensive income and expense	(21,560,623,107)	11,375,802,508	20,115,890,253
Other components of equity	(28,488,270,487)	(28,488,270,487)	(28,488,386,154)
Retained earnings (losses)	(9,806,103,131)	35,245,878,757	(49,868,865,049)
Non-controlling interests	3,486,241,899	2,759,083,986	1,919,612,087
Total equity	861,287,413,240	914,123,372,551	820,663,609,775
Total equity and liabilities	5,747,431,445,565	6,258,434,634,051	6,283,496,604,271

(Unit : KRW)		
	24th Period	23rd Period
Revene(sales turnover)	5,609,398,419,744	5,284,964,834,239
Cost of sales	4,624,659,881,944	4,042,968,707,292
Gross profit	984,738,537,800	1,241,996,126,947
Sales and general administrative expenses	626,481,026,317	691,531,901,024
Operating income	358,257,511,483	550,464,225,923
Other income	285,068,985,741	171,191,480,878
Other expense	519,474,218,114	384,472,493,709
Financial income	15,625,236,175	12,640,583,001
Financial expense	186,036,018,314	177,271,744,583
Gain on equity method valuation	13,440,410,787	41,567,893,712
Loss on equity method valuation	3,643,745,283	26,130,660,217
Net income (loss) before income tax expenses	(36,761,837,525)	187,989,285,005
Income tax expenses (gains)	(6,839,630,003)	101,818,031,972
Net income (loss) for the year	(29,922,207,522)	86,171,253,033
Equity ownership of controlling entity	(30,864,455,575)	85,114,743,806
Non-controlling interest	942,248,053	1,056,509,227
Other comprehensive income	(47,129,092,068)	(8,757,125,073)
Gain (loss) on overseas business translation	100,304,288	22,560,231
Investments in associates	2,236,205,476	(548,412,917)
Gain (loss) on valuation of available-for-sale financial assets	(35,272,935,379)	(8,231,272,387)
Actuarial gain (loss)	(13,820,900,231)	
Actuarial gain (loss) of associates	(371,766,222)	
Total comprehensive income (expense)	(77,051,299,590)	77,414,127,960
Comprehensive income (expense) attributable		
Equity ownership of controlling entity	(77,988,407,503)	76,374,656,061
Non-controlling interest	937,107,913	1,039,471,899
Earnings per share		
Net earnings (losses) per share	(171)	484
Diluted net earnings (losses) per share	(165)	468

Consolidated Statement
of Changes in Shareholders’ Equity

The 24th Business Period: Jan. 01 to Dec. 31, 2011
The 23rd Business Period: Jan. 01 to Dec. 31, 2010

(Unit : KRW)										
			Equity							
			Equity attributable to the owner of controlling entity					Non-controlling interest	Total equity	
										Capital stock
2010.01.01 (Beginning capital)			875,872,115,000	1,113,243,638	20,115,890,253	(28,488,386,154)	(49,868,865,049)	818,743,997,688	1,919,612,087	820,663,609,775
Changes in equity	Total comprehensive income	Net income (loss) for the year				85,114,743,806	85,114,743,806	1,056,509,227	86,171,253,033	
		Gain (loss) on overseas operations translation		39,597,559			39,597,559	(17,037,328)	22,560,231	
		Investments in association		(548,412,917)			(548,412,917)		(548,412,917)	
		Gain (loss) on valuation of available-for-sale financial assets		(8,231,272,387)			(8,231,272,387)		(8,231,272,387)	
		Actuarial gain (loss)								
		Actuarial gain (loss) of associates								
Transactions with owners in their capacity of owners	Exercise of stock warrants		16,240,780,000	4,739,149		115,667		16,245,634,816		16,245,634,816
	Change in subsidiaries									
	Dividend of subsidiaries							(200,000,000)		(200,000,000)
2010.12.31 (capital at end of year)			892,112,895,000	1,117,982,787	11,375,802,508	(28,488,270,487)	35,245,878,757	911,364,288,565	2,759,083,986	914,123,372,551
2011.01.01 (capital at beginning of year)				1,117,982,787	11,375,802,508	(28,488,270,487)	35,245,878,757	911,364,288,565	2,759,083,986	914,123,372,551
Changes in equity	Total comprehensive income	Net income (loss) for the year				(30,864,455,575)	(30,864,455,575)	942,248,053	(29,922,207,522)	
		Investments in association		100,304,288			100,304,288		100,304,288	
		Gain (loss) on overseas operations translation		2,236,205,476			2,236,205,476		2,236,205,476	
		Gain (loss) on valuation of available-for-sale financial assets		(35,272,935,379)			(35,272,935,379)		(35,272,935,379)	
		Actuarial gain (loss)				(13,815,760,091)	(13,815,760,091)	(5,140,140)	(13,820,900,231)	
		Actuarial gain (loss) of associates					(371,766,222)	(371,766,222)		(371,766,222)
Transactions with owners in their capacity of owners	Exercise of stock warrants		24,423,345,000	1,945,279				24,425,290,279		24,425,290,279
	Change in subsidiaries							(9,950,000)		(9,950,000)
	Dividend of subsidiaries							(200,000,000)		(200,000,000)
2011.12.31 (capital at end of year)			916,536,240,000	1,119,928,066	(21,560,623,107)	(28,488,270,487)	(9,806,103,131)	857,801,171,341	3,486,241,899	861,287,413,240

Consolidated Cash Flow Statement

The 24th Business Period: Jan. 01 to Dec. 31, 2011
The 23rd Business Period: Jan. 01 to Dec. 31, 2010

(Unit : KRW)		
	24th Period	23rd Period
Cash flow from operating activities	641,002,502,704	750,375,258,216
Net income (loss) for the year	(29,922,207,522)	86,171,253,033
Reconciliation	820,409,169,158	752,010,026,888
Changes in assets and liabilities from operating activities	7,919,873,767	91,555,418,318
Interest receipt	8,244,197,154	8,745,873,885
Interest payment	(154,796,771,987)	(188,805,407,318)
Dividend receipt	9,664,399,264	5,757,722,260
Income tax payable	(20,516,157,130)	(5,059,628,850)
Cash flow from investments	208,019,395,719	(199,304,335,119)
Net increase (decrease) of short-term financial instruments	(6,114,450,141)	2,283,837,700
Decrease of long-term financial instruments	3,000,000	
Acquisition of available-for-sale financial assets	(20,207,126)	(42,552,839,308)
Disposition of available-for-sale financial assets	10,000,000	60,489,563,876
Acquisition of investment assets of associates and subsidiaries		(83,161,496,090)
Disposition of investment assets of subsidiaries and associates	50,000	
Increase in short-term loans	(2,332,000,000)	(1,850,000,000)
Redemption of short-term loans	2,001,000,000	67,731,990,000
Redemption of long-term loans		40,004,965,180
Disposition of tangible assets	38,199,494,847	27,991,547,221
Acquisition of tangible assets	(258,633,299,029)	(204,856,188,711)
Disposition of intangible assets	129,760,237	9,000,000
Acquisition of intangible assets	(683,249,346)	(1,392,703,626)
Decrease in deposits	122,337,825,676	38,124,368,915
Increase in deposits	(124,909,256,667)	(85,756,640,034)
Cash inflow from other investing activities (derivative)	(22,169,460,771)	(26,369,740,242)
Decrease in cash equivalents in limited use		10,000,000,000
Increase in cash equivalents in limited use	(166,442,740)	
Disposition of non-current assets held for sale	820,258,128,878	
Net outflows under business combination	(359,891,498,099)	
Financing cash flows	(862,402,473,286)	(487,654,636,345)
Net increase/decrease of short-term borrowings	(33,454,859,705)	(277,551,666,344)
Borrowing long-term loans	187,507,810,368	187,205,005,400
Repayment of long-term borrowings	(267,600,000,000)	(50,697,214,080)
Redemption of debentures	(835,927,689,808)	(759,590,239,682)
Increase of debentures	398,373,200,000	584,505,800,000
Repayment of financial lease liabilities	(335,479,679,141)	(187,311,201,639)
Dividend payment	(200,000,000)	(200,000,000)
Warrant exercise	24,378,745,000	15,984,880,000
Decrease in cash and cash equivalents	(13,380,574,863)	63,416,286,752
Cash and cash equivalents at beginning	210,525,180,776	145,736,487,000
Currency change impact on cash and cash equivalents in foreign currencies	462,189,262	1,372,407,024
Cash and cash equivalents at end of the year	197,606,795,175	210,525,180,776

Statement of Financial Position

The 24th Period: as of Dec. 31, 2011
The 23rd Period: as of Dec. 31, 2010
The 23rd Period¹⁾: as of Jan. 01, 2010

(Unit : KRW)			
	24th Period	23rd Period	23rd Period ¹⁾
Assets			
Current assets	830,832,935,515	812,939,135,439	902,690,485,373
Cash and cash equivalents	113,562,499,488	124,690,885,927	101,847,908,580
Short-term financial instruments		1,500,000,000	8,731,505,710
Trade receivables	360,138,716,659	358,136,638,354	363,673,517,116
Account receivable	34,264,363,915	23,001,231,841	18,060,221,127
Accrued revenue receivable	16,554,442,409	14,054,850,062	11,850,401,032
Short-term loans	13,387,260,000	10,850,000,000	105,255,990,000
Advance payment	74,606,841,496	73,892,427,016	61,309,841,384
Advance payment in cost	27,237,828,077	34,209,802,645	38,916,551,226
Prepaid taxes	2,600,438,947	3,051,847,306	3,416,965,873
Inventories	157,675,605,579	138,746,513,343	110,245,012,359
Current portion of derivatives instrument assets			93,577,456
Current portion of guarantee deposits			48,484,054,565
Loss on deferred disposition of current tangible assets	30,804,938,945	30,804,938,945	30,804,938,945
Non-current assets held for sale		873,490,133,170	
Non-current assets	4,440,415,685,535	4,260,634,584,678	4,961,858,680,287
Long-term financial instruments	22,000,000	22,000,000	22,000,000
Financial assets available for sale	225,899,013,249	111,139,749,252	131,441,244,809
Investments in affiliates and subsidiaries	531,545,102,455	277,961,376,156	1,068,189,913,236
Long-term loans	46,468,994,862	41,752,903,927	40,004,965,180
Guarantee deposits	363,067,526,000	347,042,628,246	284,791,712,401
Loss on deferred disposition of tangible assets	252,666,386,280	283,471,323,342	314,276,260,403
Deferred income tax assets	141,886,064,950	107,434,643,791	177,694,318,596
Tangible assets	2,838,706,951,037	3,050,380,572,456	2,877,399,448,442
Real estate investments	20,788,532,093	21,124,749,032	46,241,007,050
Intangible assets	17,323,130,015	18,087,254,170	19,247,191,019
Derivative assets			47,108,227
Other non-current assets	2,041,984,594	2,217,384,306	2,503,510,924
Total assets	5,271,248,621,050	5,947,063,853,287	5,864,549,165,660

(Unit : KRW)			
	24th Period	23rd Period	23rd Period ¹⁾
Liabilities			
Current liabilities	2,535,948,640,532	2,459,526,487,813	2,543,988,889,939
Trade payables	134,523,085,438	121,664,520,693	103,158,050,218
Short-term borrowings	1,320,148,383	30,712,174,259	427,459,261,101
Advance receipts	298,993,005,720	297,857,603,013	254,117,409,514
Income in advance	2,375,910,709	3,379,283,215	3,370,332,979
Withholdings	28,748,650,107	27,422,653,557	20,200,364,347
Non-trade payables	392,740,508,673	270,378,022,300	264,665,535,170
Accrued expenses	80,620,949,261	107,031,513,456	61,360,037,885
Accrued corporation income tax	13,445,411,038		
Withholding taxes	109,290,149,823	79,433,411,446	51,812,491,286
Current portion of debentures	406,936,819,605	432,661,042,747	489,392,113,181
Current portion of long-term borrowings	688,592,204,469	481,326,666,660	406,167,880,740
Current portion of obligations under financing leases	108,854,870,473	238,940,693,405	176,917,652,287
Current portion of asset-backed liabilities	175,760,773,797	346,948,032,353	265,792,677,217
Current portion of derivatives liabilities	93,746,153,036	21,770,870,709	19,575,084,014
Non-current liabilities	1,924,792,707,986	2,679,883,298,309	2,759,066,020,052
Debentures	554,540,965,184	564,164,684,553	816,652,667,225
Long-term borrowings	123,989,106,838	406,234,893,757	227,266,333,340
Obligations under financing leases	601,192,395,590	799,722,209,614	895,818,877,290
Asset-backed liabilities	74,740,884,945	249,663,209,454	189,006,658,518
Financial derivative liabilities		75,012,311,664	84,200,576,601
Accrued severance benefits	126,786,063,384	191,824,555,102	194,283,116,187
Long-term advances	355,872,846,608	297,172,846,608	264,038,811,227
Long-term income in advance	2,645,237,171	2,948,673,133	4,602,559,657
Long-term accounts payable	33,476,348,405	39,033,840,346	40,019,153,101
Provisions	44,547,516,982	50,233,299,924	36,829,387,291
Other non-current liabilities	7,001,342,879	3,872,774,154	6,347,879,615
Total liabilities	4,460,741,348,518	5,139,409,786,122	5,303,054,909,991
Shareholders' equity			
Capital stock	916,536,240,000	892,112,895,000	875,872,115,000
Capital surplus	1,119,928,066	1,117,982,787	1,113,243,638
Accumulated other comprehensive income and expense	(15,790,417,927)	7,206,904,928	18,580,996,815
Other components of equity	(28,488,270,487)	(28,488,270,487)	(28,488,386,154)
Retained earnings (losses)	(62,870,207,120)	(64,295,445,063)	(305,583,713,630)
Total equity	810,507,272,532	807,654,067,165	561,494,255,669
Total equity and liabilities	5,271,248,621,050	5,947,063,853,287	5,864,549,165,660

Comprehensive Income Statement

The 24th Period: Jan. 01 to Dec. 31, 2011
The 23rd Period: Jan. 01 to Dec. 31, 2010

(Unit : KRW)		
	24th Period	23rd Period
Revene(sales turnover)	5,331,003,265,542	5,039,478,818,593
Cost of sales	4,422,544,527,389	3,811,599,489,807
Gross profit	908,458,738,153	1,227,879,328,786
Sales and general administrative expenses	565,087,419,540	658,894,857,556
Operating income	343,371,318,613	568,984,471,230
Other income	417,217,513,100	175,394,114,730
Other expense	567,653,082,504	210,231,651,855
Finance income	14,601,642,964	12,108,567,912
Financial expense	192,002,800,500	227,683,344,092
Net income (loss) before income tax expenses	15,534,591,673	318,572,157,925
Income tax expenses (profit)	(887,379,166)	77,283,889,358
Net income (loss) for the year	16,421,970,839	241,288,268,567
Other comprehensive income (loss)	(37,994,055,751)	(11,374,091,887)
Components of other comprehensive income (loss) after income tax		
Gain (loss) on valuation of available-for-sale financial assets	(22,997,322,855)	(11,374,091,887)
Actuarial losses	(14,996,732,896)	
Total comprehensive income (expense)	(21,572,084,912)	229,914,176,680
Earnings per share		
Net earnings (losses) per share	91	1,372
Diluted net earnings (losses) per share	88	1,326

Comprehensive Income Statement

The 24th Period: Jan. 01 to Dec. 31, 2011
The 23rd Period: Jan. 01 to Dec. 31, 2010

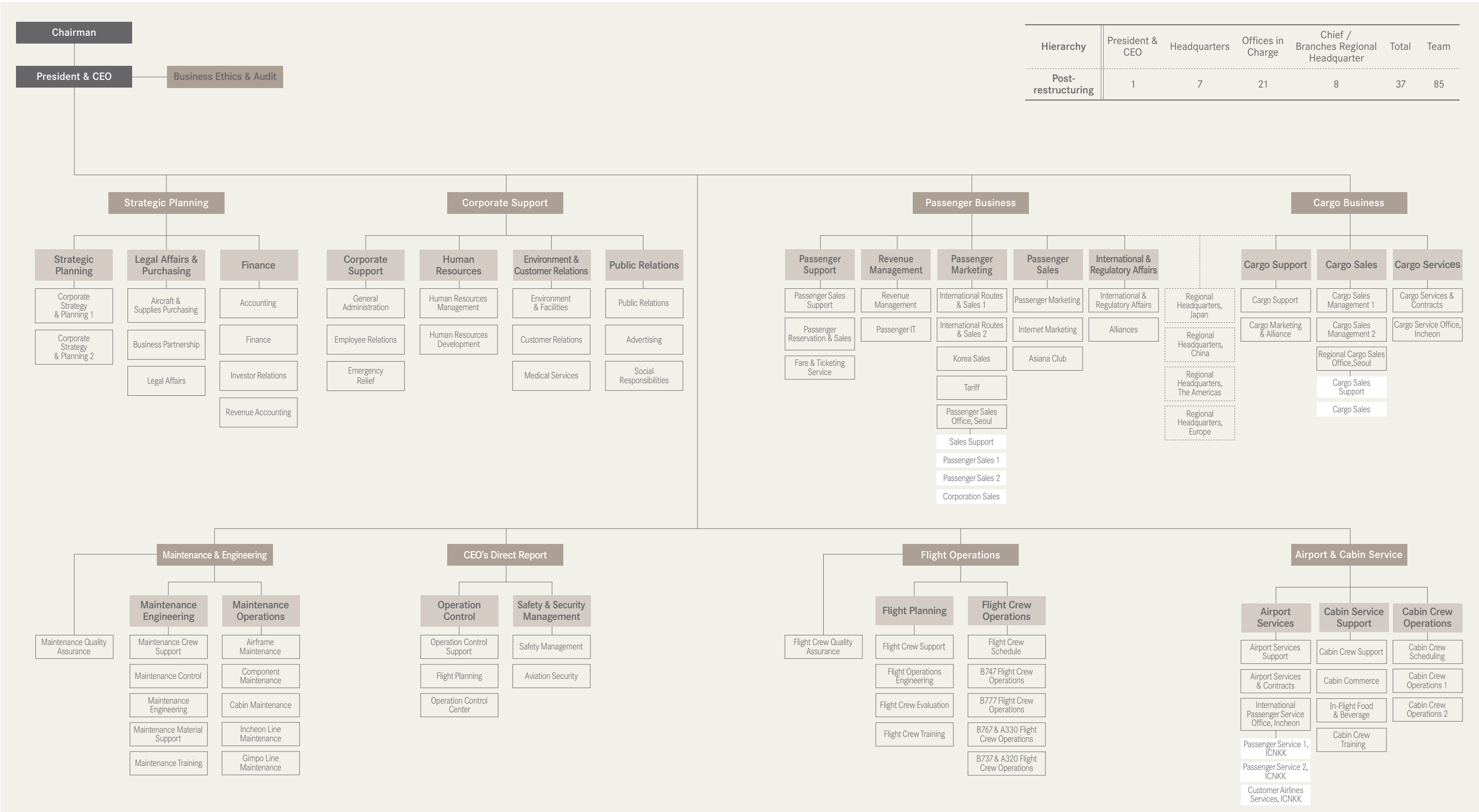
(Unit : KRW)						
			Equity			
			Capital stock	Capital surplus	Other cumulative comprehensive income (loss)	Total equity
Jan. 01, 2010(Beginning capital)			875,872,115,000	1,113,243,638	18,580,996,815	561,494,255,669
Changes in equity	Total comprehensive income (loss)	Net income (loss) for the year			241,288,268,567	241,288,268,567
		Actuarial losses				
		Gain (loss) on valuation of available-for-sale financial assets			(11,374,091,887)	(11,374,091,887)
	Transaction with owners	Exercise of warrants	16,240,780,000	4,739,149	115,667	16,245,634,816
Dec. 31, 2010(Ending capital)			892,112,895,000	1,117,982,787	7,206,904,928	807,654,067,165
Jan. 01, 2011(Beginning capital)				1,117,982,787	7,206,904,928	807,654,067,165
Changes in equity	Total comprehensive income (loss)	Net income (loss) for the year			16,421,970,839	16,421,970,839
		Actuarial losses			(14,996,732,896)	(14,996,732,896)
		Gain (loss) on valuation of available-for-sale financial assets			(22,997,322,855)	(22,997,322,855)
	Transaction with owners	Exercise of warrants	24,423,345,000	1,945,279		24,425,290,279
Dec. 31, 2011(Ending capital)				1,119,928,066	(15,790,417,927)	810,507,272,532

Cash Flow Statement

The 24th Period: Jan. 01 to Dec. 31, 2011
The 23rd Period: Jan. 01 to Dec. 31, 2010

(Unit : KRW)		
	24th Period	23rd Period
Cash flow from operating activities	629,368,993,964	741,768,024,109
Net income (loss) for the year	16,421,970,839	241,288,268,567
Reconciliation	749,299,492,213	609,031,200,253
Changes in assets and liabilities from operating activities	9,650,253,710	65,665,469,910
Interest receipt	7,367,848,976	8,442,494,374
Interest payment	(154,779,123,610)	(188,800,085,765)
Dividend receipt	10,713,699,264	7,557,722,260
Income tax payable	(9,305,147,428)	(1,417,045,490)
Cash flow from investments	192,908,849,455	(192,814,381,170)
Net increase (decrease) of short-term financial instruments	1,500,000,000	7,231,505,710
Acquisition of available-for-sale financial assets	(207,126)	(40,152,839,308)
Disposition of available-for-sale financial assets	10,000,000	58,139,563,876
Acquisition of investment assets of associates and subsidiaries	(370,556,755,499)	(83,261,596,090)
Disposition of investment assets of subsidiaries and associates	50,000	
Increase in short-term loans	(2,332,000,000)	(1,850,000,000)
Redemption of short-term loans		67,725,990,000
Redemption of long-term loans		40,004,965,180
Disposition of tangible assets	38,194,332,246	27,750,730,308
Acquisition of tangible assets	(258,090,319,223)	(204,403,026,141)
Disposition of intangible assets	11,760,237	
Acquisition of intangible assets	(61,133,971)	(106,608,542)
Decrease in deposits	111,197,154,091	38,052,723,113
Increase in deposits	(124,886,256,667)	(85,576,049,034)
Decrease in cash equivalents in limited use		10,000,000,000
Increase in cash equivalents in limited use	(166,442,740)	
Disposition of non-current assets held for sale	820,258,128,878	
Derivatives transaction settlement	(22,169,460,771)	(26,369,740,242)
Financing cash flows	(833,973,131,626)	(517,482,643,514)
Net increase/decrease of short-term borrowings	(29,454,859,705)	(276,434,495,867)
Borrowing long-term loans	187,507,810,368	187,205,005,400
Repayment of long-term borrowings	(267,600,000,000)	(50,697,214,080)
Increase of debentures	398,373,200,000	149,505,800,000
Redemption of debentures	(460,881,873,582)	(491,041,423,849)
Repayment of financial lease liabilities	(335,479,679,141)	(187,311,201,639)
Increase of asset-backed liabilities		500,000,000,000
Repayment of asset-backed liabilities	(350,816,474,566)	(364,693,993,479)
Warrant exercise	24,378,745,000	15,984,880,000
Decrease in cash and cash equivalents	(11,695,288,207)	31,470,999,425
Cash and cash equivalents at beginning	124,690,885,927	91,847,908,580
Currency change impact on cash and cash equivalents in foreign currencies	400,459,028	1,371,977,922
Cash and cash equivalents at end of the year	113,396,056,748	124,690,885,927

Organization Chart



Maintenance & Engineering

Maintenance Quality Assurance

Maintenance Engineering

Maintenance Crew Support

Maintenance Control

Maintenance Engineering

Maintenance Material Support

Maintenance Training

Maintenance Operations

Airframe Maintenance

Component Maintenance

Cabin Maintenance

Incheon Line Maintenance

Gimpo Line Maintenance

CEO's Direct Report

Operation Control

Operation Control Support

Flight Planning

Operation Control Center

Safety & Security Management

Safety Management

Aviation Security

Flight Operations

Flight Crew Quality Assurance

Flight Planning

Flight Crew Support

Flight Operations Engineering

Flight Crew Evaluation

Flight Crew Training

Flight Crew Operations

Flight Crew Schedule

B747 Flight Crew Operations

B777 Flight Crew Operations

B767 & A330 Flight Crew Operations

B737 & A320 Flight Crew Operations

Airport & Cabin Service

Airport Services

Airport Services Support

Airport Services & Contracts

International Passenger Service Office, Incheon

Passenger Service 1, ICNKK

Passenger Service 2, ICNKK

Customer Airlines Services, ICNKK

Cabin Service Support

Cabin Crew Support

Cabin Commerce

In-Flight Food & Beverage

Cabin Crew Training

Cabin Crew Operations

Cabin Crew Scheduling

Cabin Crew Operations 1

Cabin Crew Operations 2

GRI G3.1 Index & Alignment with ISO 2600

Reporting Level: ● Report, ½ Partial Report ○ No Report, — N/A			
GRI Index	Description	Reporting Level	Reporting Section
	Participation by Stakeholders	½	8 ~ 9
	Boundary Protocol	●	front cover
Strategy and Analysis			
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	●	2 ~ 3
1.2	Description of key impacts, risks, and opportunities	●	
Organizational Profile			
2.1	Name of the organization	●	12
2.2	Primary brands, products, and/or services	●	12
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	●	96 ~ 97
2.4	Location of organization's headquarters	●	12
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	●	14 ~ 15
2.6	Nature of ownership and legal form	●	16
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	●	40 ~ 44
2.8	Scale of the reporting organization (number of employees, net sales/net revenues, total capitalization broken down in terms of debt and equity, and quantity of products or services provided)	●	24, 41, Appendix
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	4 ~ 7
2.10	Awards received in the reporting period	●	63
Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	●	front cover
3.2	Date of most recent previous report (if any)	●	front cover
3.3	Reporting cycle (annual, biennial, etc.)	●	front cover
3.4	Contact point for questions regarding the report or its contents.	●	front cover
3.5	Process for defining report content	○	98
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures)	●	front cover
3.7	Any specific limitations on the scope or boundary of the report	●	front cover
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	●	front cover
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	●	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	—	
3.12	Table identifying the location of the Standard Disclosures in the report	●	Appendix
3.13	Policy and current practice with regard to seeking external assurance for the report. Explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	●	95
Governance, Commitments & Engagement			
4.1	Economic value generated and distributed (e.g. revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments)	●	16 ~ 17
4.2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	16 ~ 17
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	●	16 ~ 17
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	

GRI Index	Description	Reporting Level	Reporting Section
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	○	27
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	17
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees (gender and other indicators of diversity)	●	17
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	●	18, 33, 48, 66
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	½	18, 33, 48, 66
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	○	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	44
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	3
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	●	74
4.14	List of stakeholder groups engaged by the organization	●	3
4.15	Basis for identification and selection of stakeholders with whom to engage	½	8 ~ 9
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	8 ~ 9
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	●	8 ~ 9
Economic			
EC1	Economic value generated and distributed (e.g. revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments)	●	40, Appendix
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	70
EC3	Coverage of the organization's defined benefit plan obligations	●	Appendix
EC4	Significant financial assistance received from government	—	
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	○	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	35 ~ 37
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	●	25
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement	●	80 ~ 82
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	●	44
Environmental			
EN1	Materials used by weight or volume	●	69
EN2	Percentage of materials used that are recycled input materials	●	76
EN3	Direct energy consumption by primary energy source	●	69
EN4	Indirect energy consumption by primary source	●	69
EN5	Energy saved due to conservation and efficiency improvements	●	68
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	73
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	72
EN8	Total water withdrawal by source	●	
EN9	Water sources significantly affected by withdrawal of water	-	
EN10	Percentage and total volume of water recycled and reused	-	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		

GRI G3.1 Index & Alignment with ISO 2600

Reporting Level: ● Report, ① Partial Report ○ No Report, — N/A			
GRI Index	Description	Reporting Level	Reporting Section
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-	
EN13	Habitats protected or restored	-	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	-	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	
EN16	Total direct and indirect greenhouse gas emissions by weight	●	69
EN17	Other relevant indirect greenhouse gas emissions by weight	●	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	68
EN19	Emissions of ozone-depleting substances by weight	●	
EN20	NO, SO, and other significant air emissions by type and weight	●	75
EN21	Total water discharge by quality and destination	●	75
EN22	Total weight of waste by type and disposal method	●	76
EN23	Total number and volume of significant spills	-	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	○	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	72
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	○	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	-	No violations
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	●	70 ~ 72
EN30	Total environmental protection expenditures and investments by type		77
Social: Labor Practices & Decent Work			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	●	24 ~ 25
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	●	24
LA3	Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation	●	29 ~ 32
LA4	Percentage of employees covered by collective bargaining agreements	●	34
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	●	34
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	●	34
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	●	34
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	●	33 ~ 34
LA9	Health and safety topics covered in formal agreements with trade unions	●	34
LA10	Average hours of training per year per employee by gender, and by employee category	●	20, 33
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	30
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	●	24
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	24 ~ 25
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	○	
LA15	Return to work and retention rates after parental leave, by gender	●	29

GRI Index	Description	Reporting Level	Reporting Section
Human Rights			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	●	36
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	●	36 ~ 37
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	①	18 ~ 19
HR4	Total number of incidents of discrimination and corrective actions taken	-	No discrimination
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	●	21
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	-	21
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	-	21
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	○	20
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	-	20
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	●	34
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	①	59
Society			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	80 ~ 83
SO2	Percentage and total number of business units analyzed for risks related to corruption	●	35 ~ 37
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	①	20
SO4	Actions taken in response to incidents of corruption	○	
SO5	Public policy positions and participation in public policy development and lobbying	-	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	-	
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	○	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	○	
SO9	Operations with significant potential or actual negative impacts on local communities	-	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	80 ~ 83
Social: Labor Practices & Decent Work			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	48 ~ 53
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	-	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	56 ~ 58
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	60
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	●	59 ~ 61
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	-	59 ~ 61
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	62
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	-	No violations

Third-Party Assurance Report

To the Management and Stakeholders of Asiana Airlines

Introduction

Asiana Airlines has commissioned Korean Standards Association (hereinafter "KSA") to perform an independent assurance on the 2012 Sustainability Report (hereinafter "the report") of Asiana Airlines.

KSA, therefore, reviews the evidence and feasibility of data, performance results, and relevant systems to offer an independent third-party opinion.

This is the second assurance made by KSA on the Asiana Airlines Sustainability Report following the previous year, and Asiana Airlines is held accountable for collecting, analyzing, and organizing information necessary to generate the report, and all the claims made therein.

Independence

KSA does not have any kind of commercial interest in businesses of Asiana Airlines apart from undertaking a third-party assurance on the report. KSA also does not hold any bias for or against any of the stakeholders of Asiana Airlines.

Standards & Credibility

KSA has performed the assurance on the basis of AA1000AS 2008 assurance standards while applying the GRI G3.1 guideline and ISO 26000. In accordance with the AA1000AS (2008) assurance requirements, the areas subjected to the three principles of inclusivity, materiality and responsiveness, in combination with information credibility of the 2011 report have been confirmed.

The information credibility of the Asiana Airlines Sustainability Report was verified with 'a moderate level' of assurance.

Type & Scope

KSA has performed a assurance that falls into Type 2 on the basis of the AA 1000 assurance standards (AA1000 AS).

Type 2 assurance assesses accuracy and quality of statements made by Asiana Airlines and sustainability performance information found in this report according to the principle of reporting responsibility described in AA 1000 AS 2008.

The assurance focuses on the system and activities of Asiana Airlines inclusive of the CSR policy, objectives, business, targets, and performances between January 1st 2011 and December 31st 2011. It does not include verification on financial data other than those on the performances in environment, society and economy in a broad sense. KSA's involvement in the area of stakeholder engagement is confined to the review on the materiality test process.

Methodology

KSA has collected necessary information, data, and evidence relevant to the assurance scope and performed the assurance using the following methodologies:

- media research and analysis on CSR initiatives of Asiana Airlines for the past three years.
- visits to the Asiana Airlines headquarters and interviews with CSR champions or issue managers
- a review on the management system and process utilized to improve sustainability performance and generate the report
- a review and tracking of internal documents and raw data

Findings & Opinion [Principles/Process]

KSA has reviewed the draft report and expressed its opinion on it, and the report was modified accordingly when necessary. KSA did not find any material errors, or any incorrect or inappropriate description in the report reviewed for the assurance.

KSA sets forth its opinion on the report of Asiana Airlines as follows:

• Inclusivity

It assesses whether the organization has engaged stakeholders in the process of developing and introducing strategic responses to sustainability.

The inclusiveness of key stakeholder engagement is improving. Such improvements include identifying issues of interest for internal and external stakeholders through an external survey (KSI) and the employee and stakeholder survey.

KSA recommends Asiana Airlines classify its stakeholders further in a structured way based on their influence and relevance, and have both official and unofficial engagement mechanisms in place to facilitate communication and provide a balanced perspective to the leadership.

• Materiality

It assesses whether the organization has included Material information necessary for the stakeholders to make sensible decisions, judgments, and measures.

It should be noted that Asiana Airlines has generated priorities and restructured its sustainability report based on the requests and interests of both internal and external stakeholders identified through the materiality test. KSA advises Asiana Airlines should build on and fine tune its materiality test process to leverage the results as the rationale for its business strategy.

• Responsiveness

It assesses whether the organization provides prompt responses to the concerns of stakeholders through the report. It also looks at whether the organization has implemented policies and standards to address issues and interests of sustainability.

Asiana Airlines is proactively reporting its activities and milestones with regard to sustainability including its business scope and implications. However, as its sustainability direction and targets are usually confined to the area of financial performance, it is well advised to expand the concept of sustainability to all areas of the corporate activities. Furthermore, it is also advised to establish internal guidelines and procedure to guarantee transparency and consistency in generating and measuring the performance indexes for the report.

Opinion & Recommendation for Improvement [Performance/Issue]

KSA recommends the followings to Asiana Airlines to help the company devise the company-wide sustainability management strategy to make sustained responses to relevant issues.

• Economy

The political uncertainties across the globe, climate change, increasing demand for mobility, population growth, and other global trends are increasingly having more influence on the aviation industry. KSA recommends Asiana Airlines expand its risk management scope and implement more diverse responses to enhance its competitiveness.

• Environment

Asiana Airlines has established vision and a dedicated department for green management under its distinct slogan [The One and Only Earth, as Precious as Our Customers] and has achieved various milestones with focus on climate change. It is well advised to streamline its initiatives based on the environment policies for green management and assign quantitative targets per initiative.

• Society

Asiana Airlines is recommended to drive campaigns that incorporate elements of economic, social and cultural sustainability into its goods and services in order to maintain and strengthen its credibility and reputation among stakeholders.



AA1000
Licensed Assurance Provider
000-70

April 27, 2012

KSA Chairman & CEO

Kim, Chang-ryong

김창룡

Korea Standards Association is a special entity incorporated in 1962 in accordance with the Industrial Standardization Act. It is a knowledge service agency which offers and spreads services for industrial standardization, quality management, sustainability management and KS-ISO certification. It is contributing to sustainable development of the Korean society as the agency for ISO 26000 management in Korea, official GRI certified training, AA1000 assurance partner, KSI operation, UN CDM management, and validation on the GHG target regime.



A STAR ALLIANCE MEMBER 



하나밖에 없는 지구, 고객처럼 소중히
The one and only earth, As precious as our customers.



This report has been printed on environment-friendly paper using soy ink.
Asiana Airlines cares about the environment.