



SUSTAINING EXCELLENCE

KOREAN AIR SUSTAINABILITY REPORT 2008

CONTENTS

UN Global Compact	02
-------------------	----

PROFILE

CEO's Message	06
Company Profile	08
Business Profile	10
Business Environment / Risk	14
Sustainable Management	16
Key Sustainability Issues	18
2007 Overseas Network Sustainable Activities	20
Corporate Governance / Risk Management	22
Board of Directors / Organization Chart	23
Ethical & Transparent Management	24

ECONOMIC VALUE & RESPONSIBILITIES

2007 Economic Performance	28
Revenue Distribution by Stakeholder Group	30
Fleet Modernization	32

SOCIAL VALUE & RESPONSIBILITIES

Customers	36
Employees	42
Industrial Safety	48
Business Partners	49
Community	51

ENVIRONMENTAL VALUE & RESPONSIBILITIES

Sustainable Environment	58
Environmental Management System	61
Climate Change	62
Noise Control	67
Local Air Quality	70
Other Environmental Activities	72

APPENDIX

GRI Guideline Index	76
Glossary / Awards	80
About Korean Air Sustainability Report 2008	82
Feedback	83



Readers can use this contents list as a guide page as well as a bookmark while reading this report.



Keep the sky blue
and the earth green

KOREAN AIR

THE PURPOSE OF THE REPORT

This report provides information on the economic, social and environmental aspects of Korean Air's annual performance to stakeholders including customers, employees, shareholders, investors, business partners, community, governmental body and NGOs to aid their decision making.

REPORTING PRINCIPLES

Under the title of "Sustaining Excellence," the 2008 Sustainability Report is Korean Air's third report on sustainable management. This report follows the G3 guidelines of the Global Reporting Initiative (GRI) and reflects our efforts to benchmark well-regarded airline industry reports.

REPORT COMPOSITION

Published in both Korean and English, this report contains five major sections: a profile, an economic section a social section, an environmental section and an appendix. It is also available at our website on <http://www.koreanair.com>

DATA COLLECTION & COMPOSITION

All data has been collected by relevant departments in accordance with the GRI G3 Guidelines and the information has been scrutinized by relevant departments and audited by senior management to ensure accurate reporting.

SCOPE OF REPORTING

This report covers the fiscal year 2007 (Jan. 1 ~ Dec. 31, 2007) and contains data observed over the last three years. Readers are advised to refer to the 2007 Annual Report for further details on economic performance.

CHARACTERISTICS OF THE REPORT

- 01) This report includes the principles of the UN Global Compact that Korean Air joined in 2007
- 02) Covering the global airline industry's issues and risks that Korean Air faces, this report also conveys the strong commitment of the company to deal with these issues.
- 03) This report contains feedback and the results of communications with stakeholders.





GLOBAL COMPACT

The UN Global Compact is a framework that was launched for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. Having joined the framework in July 2007, Korean Air aligned its initiatives of ethical management, transparent management and corporate social responsibilities with the ten principles of the UN Global Compact. Korean Air will continue to report on its performances in line with these ten principles in the annual sustainability reports it publishes in the future.

PRINCIPLES

HUMAN RIGHTS | PAGE 42-43

01. We support and respect the protection of internationally proclaimed human rights.
02. We ensure that we are not complicit in human-rights abuses.

LABOR | PAGE 43-48

03. We uphold the freedom of association and the effective recognition of the right to collective bargaining.
04. We eliminate all forms of forced and compulsory labor.
05. We effectively abolish child labor.
06. We eliminate discrimination in respect of employment and occupation.

ENVIRONMENT | PAGE 58-73

07. We support a precautionary approach to environmental challenges.
08. We undertake initiatives to promote greater environmental responsibility.
09. We encourage the development and diffusion of environmentally-friendly technologies.

ANTI-CORRUPTION | PAGE 24-25, 49-50

10. We work against all forms of corruption, including extortion and bribery.



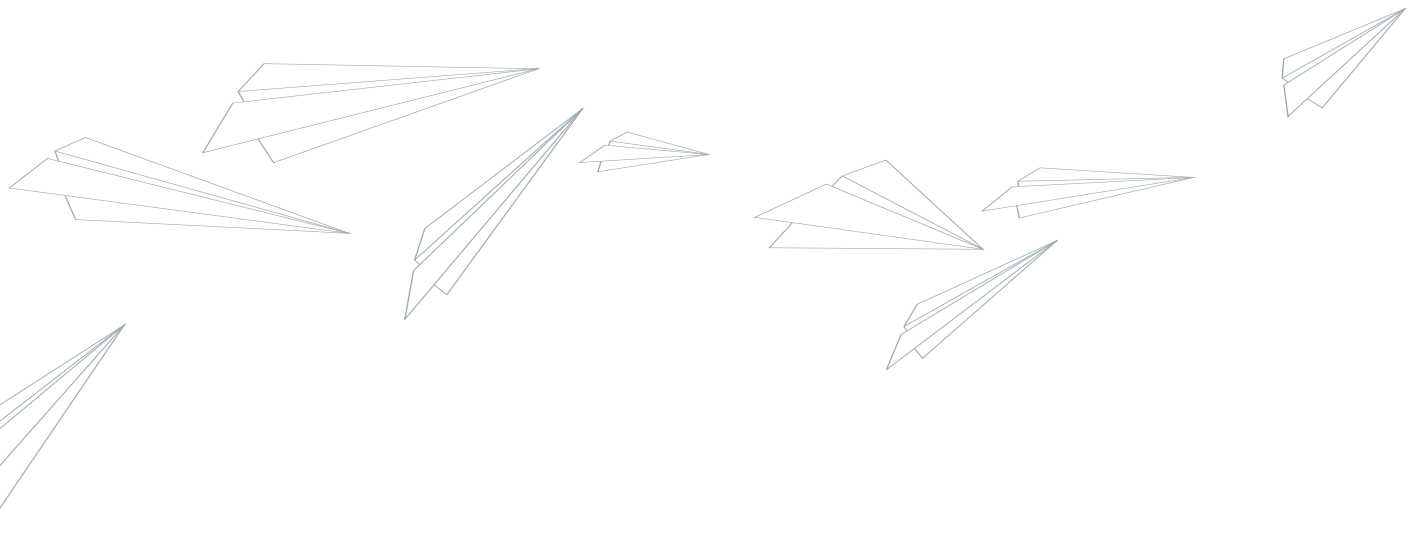
To Korean Air “Excellence in Flight” represents the
sharing of its values with **customers**, sharing the sky with nature,
sharing technology with **business partners** and
fulfilling its responsibilities to the **community**.

This book contains an **accurate and candid** account of the efforts that
Korean Air has made towards achieving **sustainability**
for itself and the **environment** as well as for the community.





Every **flight** matters to us because
we care about our **customers** and want to
cultivate a positive, ongoing **relationship** with them.
Korean Air carries **happiness** to and
from people's homes via excellent **service** and
delightful memories of journeys
made for **business** and pleasure.



PROFILE

BRINGING HEARTS TOGETHER

CEO'S MESSAGE_ COMPANY PROFILE_ BUSINESS PROFILE
BUSINESS ENVIRONMENT / RISK_ SUSTAINABLE MANAGEMENT_ KEY SUSTAINABILITY ISSUES
2007 OVERSEAS NETWORK SUSTAINABLE ACTIVITIES_ CORPORATE GOVERNANCE / RISK MANAGEMENT
BOARD OF DIRECTORS / ORGANIZATION CHART_ ETHICAL & TRANSPARENT MANAGEMENT

CEO'S MESSAGE



With the aim of clear **skies** for 6.6 billion **global citizens**,
Korean Air **hopes** for a fresher **future**.

During 2007, the world economy was mired by skyrocketing oil prices and the sub-prime mortgage crisis and this affected the Korean economy which was also suffering from a sluggish economic recovery. Despite these adverse management conditions, Korean Air realized KRW8,812.0 billion in operating revenue, KRW636.8 billion in operating income and KRW10.7 billion in net income. This remarkable performance was the result of our aggressive efforts to boost revenue sources through various activities including expanding routes to emerging markets such as China and Southeast Asia, strengthening overseas business network, increasing the portion of high-profitable sales as well as reinforcing risk management schemes against foreign exchange rates and interest rates.

In addition to sizeable growth, we remain committed to sustainable management efforts through harmonizing economic, social and environmental values.

Sustainable corporate growth encompasses a great deal more than merely fulfilling economic responsibilities. Well aware of this, we are fulfilling our responsibilities to the community and the environment through activities designed to protect the environment and systems such as ethical management, and transparent and sharing management. These efforts culminated in July 2007 when Korean Air joined the UN Global Compact making a commitment to the Compact's 10 principles regarding human rights, labor, environment and anti-corruption.

In addition to this commitment, we are building partnerships with our stakeholders including shareholders, suppliers—or business partners, as we dub them—, customers, employees and the community while sharing our vision for a better future with them. At the same time, we will continue to fulfill our social responsibilities as a respected corporate citizen by expanding the company's social contributions, while also encouraging our employees to actively participate in social services.

Above all, we are committed to protecting the environment.

We are currently promoting environmental management in our daily business activities. Increasing awareness of environmental issues such as global warming and the depletion of fossil fuels has led to a call for fundamental changes within the aviation industry. Korean Air is also faced with this issue, but we believe that change is a vehicle for improvement. Consequently, we are replacing our old fleet with environmentally-friendly next-generation aircraft which feature high fuel-efficiency and low CO₂ emission. We have also developed fuel-saving operational procedures. Through these efforts to mitigate climate change, Korean Air is committed to preserving a clean and clear method of flying.

Korean Air's 2008 Sustainability Report is a balanced publication containing the efforts and results of the company's economic, social and environmental initiatives prepared in accordance with the GRI Guidelines (G3).

May 30, 2008

Chairman & CEO
Korean Air

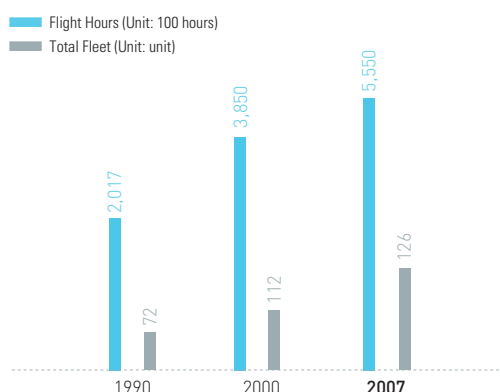
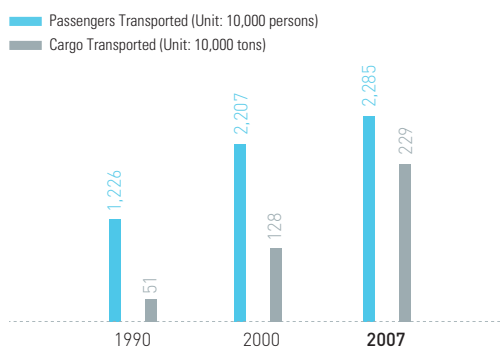
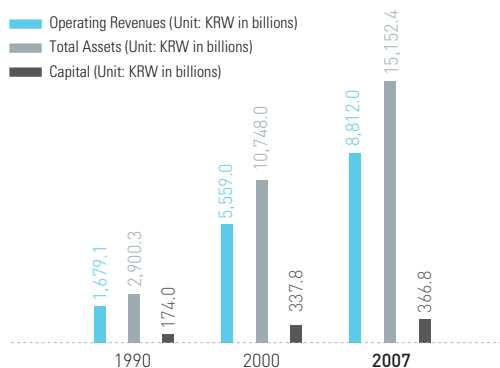
Cho, Yang Ho



COMPANY PROFILE

Korean Air is surging forward to become a leading global carrier that inspires the world with its excellence in flight.

Korean Air operates 126 aircraft and offers scheduled routes to 101 international destinations in 36 countries and 14 domestic destinations as of December 31, 2007. In addition to its main business of air transport service for passengers and cargo, the company also operates aircraft manufacturing, in-flight catering and hotel businesses. With the vision to become a leading global carrier and the slogan "Excellence in Flight," it is our goal to reach the status of "global top ten carrier" by 2010 with revenues of KRW10 trillion and an operating income of KRW1 trillion. The core strategies we are pushing ahead with to attain this objective are enhancing our brand value; establishing an optimal operating system; providing impressive customer service and value creation; and formulating an innovative corporate culture.



VISION & MISSION



BUSINESS PROFILE





Up 9.1%

Korean Air realized revenue growth of 9.1% in 2007. This result underscores three consecutive years of profit achieved in a competitive market reeling from the impact of budget airlines and high oil prices.

COMPANY PROFILE

Company	Korean Air
Address	1370, Gonghang-dong, Gangseo-gu Seoul, Korea 157-712
Date of Establishment	March 1, 1969
Business areas	passenger & cargo transport, MRO*, flight operation, catering, hotel & in-flight sales, aerospace
Fleet	126 units (as of December 31, 2007)
Routes	115 cities in 37 countries
Employees	16,505 persons (including 1,615 overseas staff)
Operating revenue	KRW8,812.0 billion

* MRO: Maintenance, Repair and Overhaul

SHAREHOLDER STRUCTURE

Name	Shares	%
Cho, Yang Ho	8,254,292	11.25
Hanjin	7,127,096	9.71
National Pension Fund	6,576,329	8.96
Kookmin Bank	4,151,968	5.66
Hana Bank	2,557,373	3.48

AFFILIATED COMPANIES

Company Name	Capital (KRW in thousands)	Major Business	Ownership (%)
Korea Airport Service Co., Ltd.	15,831,775	Air cargo & aircraft ground handling, aircraft fueling	59.53
KAL Hotel Network Co., Ltd.	99,900,000	Hotel, store rental	100.00
Air Total Service Co., Ltd.	2000,000	Transportation	100.00
Jedong Leisure Co., Ltd.	14,000,000	Golf course	100.00
Hanjin Information Systems & Telecommunications Co., Ltd.	7,000,000	System integration, geographic information system, IT-outsourcing, IT-consulting	99.35
Hanjin Energy Co., Ltd.	206,000	Service & business consulting	82.52
Topas Co., Ltd.	4,005,845	Total passenger service system	67.35
Global Logistics System Korea Co., Ltd.	1,000,000	Global logistics service (e-Cargo, web service, hosting service)	65.00
Hanjin Travel Service Co., Ltd.	8,469,785	Travel arrangements	55.82
Hanjin International Corp.	USD209,500,000	Hotel, rental	100.00
Korean Air Lease & Finance Co., Ltd.	USD1,000,000	Leasing	100.00
Hanjin International Japan Co., Ltd.	¥ 100,000,000	Real estate, dispatching employees	55.00

Inspiring customers around the globe with outstanding service

Korean Air transported 22.85 million passengers and 2.29 million tons of freight in 2007. Despite difficult business circumstances in 2007 due to aggressive marketing by budget airlines, a sluggish economic recovery, sagging exports and record-high oil prices, Korean Air maintained profits for the third year in a row. Through active efforts to diversify marketing channels and improve balances we realized an operating revenue of KRW8,812.0 billion, outperforming the 2007 revenue goal. We responded to demands for new markets which will expand our global network and identified the needs of high-end travelers, while reinforcing revenue management and adjusting flight schedules to maximize resource usage.

2007 IATA Members' Rankings — Scheduled Passengers Carried

International		
Rank	Airline	Thousands
1	Lufthansa (1)	41,322
2	Air France (2)	31,549
3	British Airways (3)	28,301
4	KLM (4)	23,164
5	American Airlines (5)	21,479
6	Emirates (7)	20,447
7	Singapore Airlines (6)	18,957
8	Cathay Pacific (8)	17,695
9	Thai Airways (11)	14,087
10	SAS Scandinavian Airlines (9)	13,999
11	Alitalia (12)	13,531
12	IBERIA (13)	12,956
13	Korean Air (16)	12,863
14	Air Canada (14)	11,923
15	Continental Airlines (17)	11,884
16	Japan Airlines (15)	11,622
17	SWISS (21)	11,494
18	Delta Air Lines (20)	11,435
19	Northwest Airlines (19)	10,360
20	United Airlines (18)	10,201

※ Source: IATA World Air Transport Statistics

※ (): 2006 Rankings

| PASSENGER BUSINESS |

By concentrating on profit-oriented flight-scheduling, we can flexibly adjust routes to meet changing market demands. In 2007 we focused on expanding profitable routes, while reducing less profitable routes and identifying new markets through actively launching new routes and chartered flights.

In a bid to cater to the high-end sector of the market, we introduced diversified services for VIPs and high-end commercial passengers. We mounted joint marketing through a partnership with domestic VIP membership operators, diversified marketing channels and developed high-end package products for elite passengers.

To satisfy a diverse range of customer needs, we made a sizeable investment in IT and on-board technology. To this end, we adopted an "E-TKT" system for excess baggage service charges and expanded the "E-TKT" system to cover 100% of domestic and 99% of international operations. We improved our self-served check in process with security numbers for kiosks*, upgraded kiosk functions for passengers using discounted tickets and enhanced baggage tag function for passengers using our complimentary service.

*kiosk: see Glossary on page 80

| CARGO BUSINESS |

Korean Air's cargo business has been ranked top in terms of Scheduled International Freight Ton-Kilometers for the last four consecutive years by the International Air Transport Association (IATA). In 2007 we expanded our freight capacity by expanding our cargo fleet with enhanced load factors and sales prices in our North America and Europe routes, driving up revenues by 6.7% from the previous year. This increased income was the result of an all-out effort to boost overseas marketing and discover new markets to give us a smoother landing in the face of skyrocketing oil prices and a sluggish economic recovery.

In addition, we established GRANDSTAR—an air cargo subsidiary, and pushed forward with building a cargo terminal in Tianjin in order to lay the groundwork for establishing a logistics business in the rapidly growing Chinese market.

| AEROSPACE BUSINESS |

Korean Air operates a comprehensive aerospace business including manufacturing, maintenance, overhaul, aircraft conversion and research and development. In the manufacturing business, we implemented military helicopter manufacturing projects including 500MD and UH-60, and supplied fuselage structure and wing parts to global leading aircraft manufacturers such as Boeing, Airbus and Embraer. We recently participated in an international project to develop, design and manufacture Boeing's next-generation B787. We were also selected as "supplier of the year for 2006" in the "major structures" category by Boeing for our timely delivery and quality technology. In addition to supplying fuselage structure to Airbus, we have also built a mass production line to produce composite material elevators for Airbus A320 aircraft.

No.1



By formulating effective countermeasures to challenging business circumstances such as high oil prices and a sluggish domestic market, Korean Air ranked top in scheduled cargo transport for the fourth consecutive year. (Source: IATA)

2007 IATA Members' Rankings—Scheduled Freight Ton-Kilometers

International		
Rank	Airline	Millions
1	Korean Air (1)	9,498
2	Lufthansa (2)	8,336
3	Cathay Pacific (4)	8,225
4	Singapore Airlines (3)	7,945
5	Federal Express (5)	6,470
6	China Airlines (6)	6,301
7	Air France (7)	6,123
8	Emirates (10)	5,497
9	Cargolux (8)	5,482
10	United Parcel Service (UPS) (14)	5,077
11	EVA Air (9)	4,774
12	KLM (12)	4,745
13	British Airlines (11)	4,618
14	Japan Airlines (13)	4,269
15	Asiana Airlines (15)	3,094
16	Air China Limited (17)	2,829
17	Malaysia Airlines (16)	2,581
18	United Airlines (22)	2,452
19	Thai Airways (23)	2,423
20	American Airlines (19)	2,257

※ Source: IATA World Air Transport Statistics
※ (): 2006 Rankings

Serving as the only maintenance center for the U.S. Air Force stationed in the Asia-Pacific region as well as for the Korean military, Korean Air manages and maintains various types of fighter aircraft and helicopters. Specifically, we have repaired F-15s for the U.S. Air Force and CH-53s for U.S. Navy, reinforced F-16s for the U.S. Air Force and replaced electronic equipment. We are also successfully performing the conversion of B747-400 passenger aircraft into freighters, which requires a large workforce and systematic management capacity.

In the aerospace R&D sector, we are successfully operating several projects. We are in the midst of completing a system assembly program for the KSLV-1 launch vehicle and have embarked on the development of a liquid rocket engine. We are developing the main body and solar panels of the Arirang satellites 3 and 5. We have completed the development of an antenna for the Communications Oceanography Meteorological Satellite. In the aircraft R&D sector, we are also involved in developing military utility helicopters under the auspices of the Korean Helicopter Program (KHP) led by the Korean government. In 2007, we successfully completed the initial stage of developing an unmanned aerial vehicle (UAV) and, we are now in the second stage of developing next-generation strategic UAVs.

| MAINTENANCE BUSINESS |

The completion of the Gimpo hanger in 1971 marked the beginning of Korean Air's maintenance business and the subsequent development of Korea's aerospace industry. Along with business expansion, we completed the Gimhae plant in 1986, the Bucheon Power Plant Maintenance Center in 1994, the Gimpo KAL Building in 1997 and the Incheon Hanger in 2002. Equipped with the means to perform comprehensive maintenance covering regular inspections, airframe overhauls and major repairs as well as reconstruction work of Korean Air's entire fleet, we are able to carry out all aircraft maintenance work within the company. We also possess the capacity to provide heavy maintenance work for aircraft engines and auxiliary power units (APU). Looking ahead, we will acquire technology to repair the engines of next-generation aircraft. Drawing upon our state-of-the-art facilities, skilled maintenance staff and cutting-edge technologies, we maintain the world's best quality fleet and generate profits from maintenance and rebuilding contracts involving other carrier's aircraft. Along with maintenance contracts for airplanes and engines, line maintenance contracts with approximately 30 airlines generated continuous revenue streams and recorded significant revenue growth in 2007 at KRW69.4 billion, up 78% year on year.



| CATERING BUSINESS |

In conjunction with the opening of Incheon International Airport in 2001, Korean Air built a new catering center inside the airport. Equipped with state-of-the-art facilities, the center produces 42,000 meals per day for Korean Air's in-flight meal service, along with in-flight meals for over 30 foreign airlines. Claiming a share of approximately 70% of the Korean in-flight catering market, our catering center at Incheon recorded a maximum daily production rate of 57,963 meals, demonstrating approximately 9% growth in average daily production from 2006. We also have a catering center at Busan, which is receiving increased demands due to a rise in the number of outbound flights and new routes from regional airports. The Busan catering center has recorded a maximum daily production rate of 6,450 meals. We also have developed a diversified in-flight menu to match the luxurious tableware that was introduced with the launch of our new corporate identity in 2005. The outstanding quality of our in-flight meals was recognized when we received the "PAX Readership Awards" from PAX International for three consecutive years from 2005 to 2007.

| HOTEL & IN-FLIGHT SALES BUSINESS |

- **Hotel Business**

Korean Air operates luxury hotels in Jeju City and Seogwipo. It also operates the Wilshire Grand Hotel in LA, Waikiki Resort Hotel in Hawaii, and the Hyatt Regency Hotel in Incheon through affiliates.

- **Limousine Business**

Korean Air's Limousine Bus Service has provided the most convenient means of ground transportation connecting airports with down-town locations since 1992.

- **In-flight Sales Business**

Korean Air's in-flight sales provide duty-free items to passengers on board. We recently introduced a pre-order service, significantly streamlining the operation of in-flight sales. Through surveys, research and strict quality control, we strive for customer satisfaction.

An excellent team that meets global standards by providing excellent customer service

By founding the SkyTeam alliance in conjunction with a number of leading global airlines, Korean Air secured a wide array of routes covering every corner of the world, thereby providing its customers with access to a wider array of services and routes. By simply choosing any member of the SkyTeam, our customers are provided with unlimited access to the exclusive seamless customer services of SkyTeam membership including lounge access and other joint services.

| THE FOUNDATION OF SkyTeam |

Under the slogan of "caring more about you," Korean Air founded an airline alliance dubbed "SkyTeam" along with Delta Airlines, Air France and Aero Mexico. Since its inception SkyTeam has expanded into a major airline alliance comprised of eleven airlines with the addition of Czech Airlines and Alitalia in 2001, Continental Airlines, KLM Airlines and Northwest Airlines in 2004, Aeroflot in 2006 and China Southern Airlines in November 2007. Air Europa, Copa Airlines and Kenya Airways recently joined as associate members of SkyTeam.

SkyTeam operates 16,409 daily flights to 841 destinations in 162 countries. SkyTeam Cargo is the world's largest air cargo alliance covering 728 destinations in 149 countries.

| SkyTeam PUTS CUSTOMER BENEFITS AT THE TOP OF PRIORITIES |

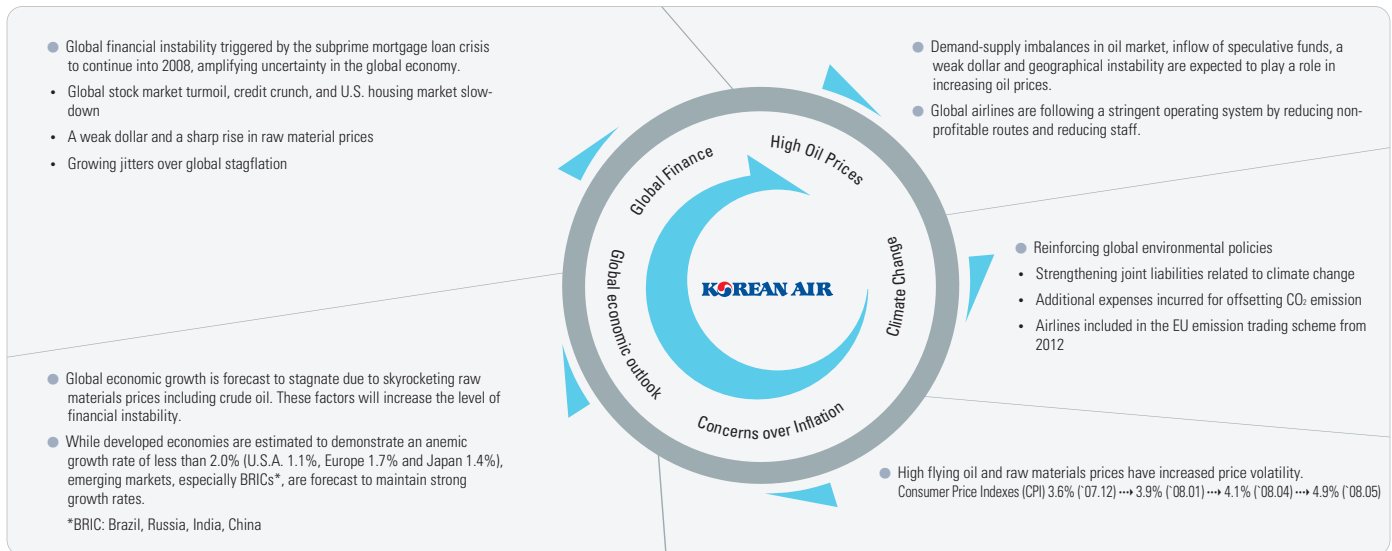
Founded as the first customer-oriented airline alliance, SkyTeam works hard to realize customer satisfaction which has resulted in high growth. The market share of SkyTeam, 11% at the time of the alliance's foundation, grew to 25% by 2007 with its number of frequent flyers increasing to 100 million persons in 2007 compared to 40 million at the time of foundation. The number of destinations has also grown from 451 cities to 841. This expanded network offers improved benefits and an expanded number of flight options for the customers of our member airlines as well as access to shared services provided by member airlines such as frequent flyer benefits, lounge services, and other amenities.



Korean Air will keep steering towards sustainable growth by effectively responding to global challenges posed by the credit crunch and oil price hikes.

Korean Air has put an efficient risk management system in place to deal with the global financial crisis, inflation and other economic issues thus assuring stable as well as sustainable growth. The main activities of the system are tackling high oil prices, competing with low-cost carriers and enhancing the company's brand image as a premium airline with a key target of achieving a 10% increase in revenues and productivity and a 10% reduction in costs, a strategy which will support our relentless pursuit to be a leading global carrier.

GLOBAL BUSINESS ENVIRONMENT | RISK



| RISK CONTROL |

• 10-10-10 Strategy

The "10-10-10" strategy is an action plan to strengthen business fundamentals and profitability amid a rapidly changing global environment. It is also aimed at revamping the business process in general and changing the mindset of the management and staff. The key priorities—to raise year-on-year revenue by 10%, reduce costs by 10% and improve productivity by 10%—were set by factoring in the various conditions of each business unit ultimately targeting the goal of becoming a premier leader in the global aviation industry.

• Tackling High Oil Prices

Korean Air established a Fuel Management Team in 2004 to respond to oil price fluctuations. The team has made impressive strides in fuel savings in operation and maintenance activities by spearheading a wide range of initiatives. Korean Air is adopting the latest fuel-efficient aircraft such as B777, B787 (to be introduced), A330, and A380 (to be introduced), developing and flying more economical flight paths. We are also operating the Fuel Hedging* Program to secure a stable supply of jet fuel.

*Fuel Hedging: See Glossary on Page 80



10-10-10

Via the "10-10-10" strategy, we aim to achieve 10% year-on-year growth in revenue, 10% cost reduction and 10% improvement in productivity as part of our efforts to be a respected leader in the world airline community.

- **Premium Airline Image**

Korean Air offers the best premium in-flight service for customers. First class offers a cocoon-like suite called the Kosmo Sleeper Seat, while Prestige class is filled with ergonomically designed Prestige Plus Seats featuring a 170 degree recline. Every seat in economy class on long-haul international routes is equipped with an Audio Video on Demand (AVOD) entertainment system enabling passengers to enjoy movies, TV shows, music and games throughout the flight. On top of that, we have introduced new high-end tableware redesigned to reflect our pride as South Korea's flagship carrier and showcasing the elegance of Korean culture and art. The new tableware is also designed to suit the practical requirements of our in-flight meal service.

- **Competing with Low-Cost Carriers**

The international spread of deregulation and "Open Skies" agreements has significantly lowered the entry barrier to the aviation industry. Increasing numbers of people are using airlines for family trips and for going abroad to study. These factors have provided domestic and overseas low-cost carriers, especially from China and Southeast Asia, with an easier path to expanding their presence in the local aviation industry. In response to the changing market landscape, Korean Air founded its subsidiary premium short-haul carrier, Jin Air (former Air Korea), based on its world-class maintenance capability, and cost-efficient aircraft fleet including the B737. Jin Air, which will begin operating in July of 2008, is fully equipped to offer the most affordable fares without compromising quality.

*Open Skies: See Glossary on Page 80

| OUTLOOK FOR THE YEAR 2008 |

Oil prices are unlikely to drop during 2008 and the impact of the subprime mortgage crisis is expected to put downward pressure on the U.S. and other major economies. The Korean economy also faces the challenges of inflation, an economic slowdown, and a downturn in the real estate market.

Against this backdrop, the aviation industry is forecast to face challenging business environments during the years ahead. Still, we see flickers of hope amid the gloomy economic forecast. Korean Air sees business opportunities in the upcoming Beijing Olympic Games, Korea's inclusion in the U.S. Visa Waiver Program to take effect from the second half of this year or early in 2009, the KORUS FTA, the Korea-EU FTA, and the phasing in of Open Skies agreement that is currently under discussion between Korea, China, and Japan.

In 2008, Korean Air will continue to strengthen its business profitability by increasing the share of lucrative products and building growth momentum over the mid- to long-term. These activities will give Korean Air enough tail wind to enable the airline to achieve solid growth and become a stronger global competitor. In addition, Korean Air is committed to offering better scheduling and optimizing operations to make the most efficient use of available resources while developing a reliable business structure and fostering an innovative corporate culture to bring about qualitative improvements in the management system. Korean Air will also modernize passenger aircraft and increase the number of cargo planes by introducing two state-of-the-art B777 aircraft and transforming two passenger B747s into freighters.

Korean Air builds a sustainable society for tomorrow and the future.

Korean Air is fulfilling its economic, social and environmental responsibilities to achieve balanced growth and ultimately, a sustainable future. While striving to enhance value for all stakeholders such as customers, employees, business partners, and the community, the company embraces global standards and ethical practices with a strong sense of responsibility to prevent any negative impact on society, the community and the environment. These efforts will contribute to creating a sustainable future for all.

KEY ECONOMIC DATA

	Unit	2005	2006	2007
Operating Revenues	KRW in billions	7,584.2	8,077.9	8,812.0
Operating Income	KRW in billions	432.5	497.4	636.8
Network		91 cities in 31 countries	95 cities in 35 countries	115 cities in 37 countries
Fleet	unit	116	121	126
Passengers Transported	10,000 persons	2,171	2,241	2,285
Cargo Transported	10,000 tons	198	212	229
RTK*	millions	12,656	13,663	14,783
ASK*	millions	68,659	71,894	76,182

*RTK (Revenue Ton Kilometer), ASK (Available Seat Kilometer):
See Glossary on Page 80

| ECONOMIC RESPONSIBILITY |

Korean Air's global network connections have created balanced economic growth between regions and diverse job opportunities. As the company plays a significant role in supporting logistics, importing and exporting manufactured goods, and attracting financial and service industries, it is fueling the growth of both local communities and the national economy.

Industries directly related with air transportation include airline companies, transportation agencies, cargo carriers, while government agencies, the travel industry, commercial facilities, and cargo transportation industry are indirectly related. Revenue from the domestic aviation industry amount to KRW16.6 trillion, about 2 % of Korea's GDP, with directly related industries accounting for KRW13.4 trillion and indirectly related industries KRW3.19 trillion. In addition, the domestic aviation industry employs about 110,000 people, accounting for approximately 0.7% of the total Korean workforce and pays about KRW3.16 trillion in wages. Taxes paid by the domestic aviation industry amount to KRW440.0 billion, about 0.3% of Korea's tax revenue. Of this figure, KRW150.0 billion is paid by aviation industry employees, KRW160.0 billion by aviation businesses, and KRW130.0 billion by tourists. Combined with a tourism income of KRW5.8 trillion, the additional economic value of the aviation industry stands at KRW6.2 trillion in total.

(Source: Aviation industry's contribution to the national economy, published by Hanjin Logistics Institute in 2006)

KEY SOCIAL DATA

	Unit	2005	2006	2007
Employees	persons	14,942	14,755	14,890
Female Employees	%	31	31	31
Dividends	KRW/share	350	452	500
Wages & Fringe Benefits	KRW in billions	1,088.1	1,266.2	1,344.6
Social Funds	KRW in billions	11.3	12.8	10.8
Ratio of Industrial Accidents	% (per 100 persons)	0.09	0.13	0.08
Education	person-hours	2,033,100	1,342,394	1,763,101

| SOCIAL RESPONSIBILITY |

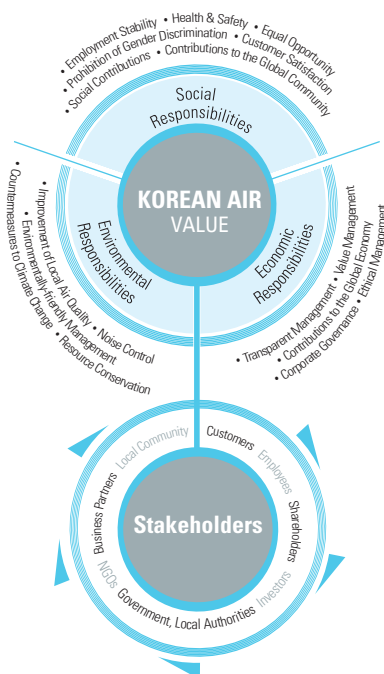
Korean Air is committed to fulfilling its social responsibilities for customers, shareholders, investors, employees, business partners, and the community. For our customers, we strive to offer timely and convenient flights all over the globe with the highest standards of safety and service, thereby providing an outstanding experience for passengers. For our employees, ongoing training is provided to hone their expertise, while performance-based rewards inspire our staff to achieve their goals. Korean Air also serves the community by using its air transportation capabilities to deliver essential health care and educational services to remote areas. In addition, the company is devoted to social contributions through "sharing management" and making a social contribution to the wider community, while seeking a win-win strategy with its business partners for mutually beneficial growth.



KEY ENVIRONMENTAL DATA

	Unit	2005	2006	2007
Jet Fuel Consumption	kl	4,236,959	4,455,319	4,825,734
Aircraft CO ₂ Emissions	1,000 tons	10,812	11,594	12,271
Noise Charges	KRW in billions	3.6	3.5	3.3
Waste Recycling Ratio	%	38	38	45
Electric Power Consumption	MWh	115,817	123,036	132,191
Water Consumption	tons	1,445,003	1,479,371	1,531,955
Environmental Expenses	KRW in billions	10.2	9.7	10.7
Environmental Audit Correction	cases	62	45	33

KOREAN AIR SUSTAINABLE RESPONSIBILITIES



ENVIRONMENTAL RESPONSIBILITY

The business activities of Korean Air inevitably give rise to both noise and gas emissions. Take-off and landing procedures generate noise and burn fossil fuels which add to global warming and the depletion of resources. Everyone at Korean Air strives to implement sustainable measures in order to minimize our impact on the environment while meeting the increasing demand for air travel.

Today, thanks to advanced technology, aircraft are 20dB quieter than comparable aircraft of 40 years ago, which equates to 75% less perceived noise. The aviation industry is currently working to achieve a 50% cut in perceived aircraft noise by 2020. Aircraft fuel efficiency is over 20% higher than comparable aircraft used 10 years ago, with aircraft nowadays using 3.5 liters of fuel per 100 passenger-km*s. In particular, A380 and B787, the next generation aircraft to be adopted by Korean Air, will use less than 3 liters per 100 passenger-kms.

(Source: IATA)

*100 passenger-km: the transportation of 100 passengers per 1km

COMMUNICATION WITH STAKEHOLDERS

Korean Air is always open to communication with its stakeholders such as customers, shareholders, employees, business partners, related institutions, and the community to create value for all of them. For customers, we listen to their voices and reflect their opinions in improvements to the services we offer, which will lead to customer satisfaction and sustainable growth. For shareholders, we are enhancing their value via responsible management based on advanced governance, ethical management practices, and appropriate dividend policies based on the transparent disclosure of business results.

As part of active investment to enhance the expertise and general capabilities of its employees, Korean Air reorganized the employee training programs to expand its employees' specialties and global competitiveness. At the same time, the company is working to provide improved welfare and job security for employees, and engages in an active communication with them through its intranet service.

In our relationship with business partners, we act in strict accordance with fair trade regulations, and practice ethical and coexistent management to realize mutual prosperity. For the communities we operate in, we implement a wide ranging, systematic program of environmental protection and social contribution by participating in volunteer activities. We believe these activities will contribute to building a better community, and ultimately, a sustainable future.

KEY SUSTAINABILITY ISSUES

Realizing sustainability through striking the right balance in the triple bottom line which covers economic, social and environmental responsibilities.

While fulfilling its economic, social and environmental responsibilities, Korean Air pursues balanced growth in the triple bottom line for balanced sustainability. We will endeavor to realize a sustainable society by laying the groundwork for the sustainable growth of the company. We aim to enhance values for all our stakeholders including customers, shareholders, employees, suppliers, the community, and NGOs and to preserve the environment.

COMMUNITY (PAGE 51-55)

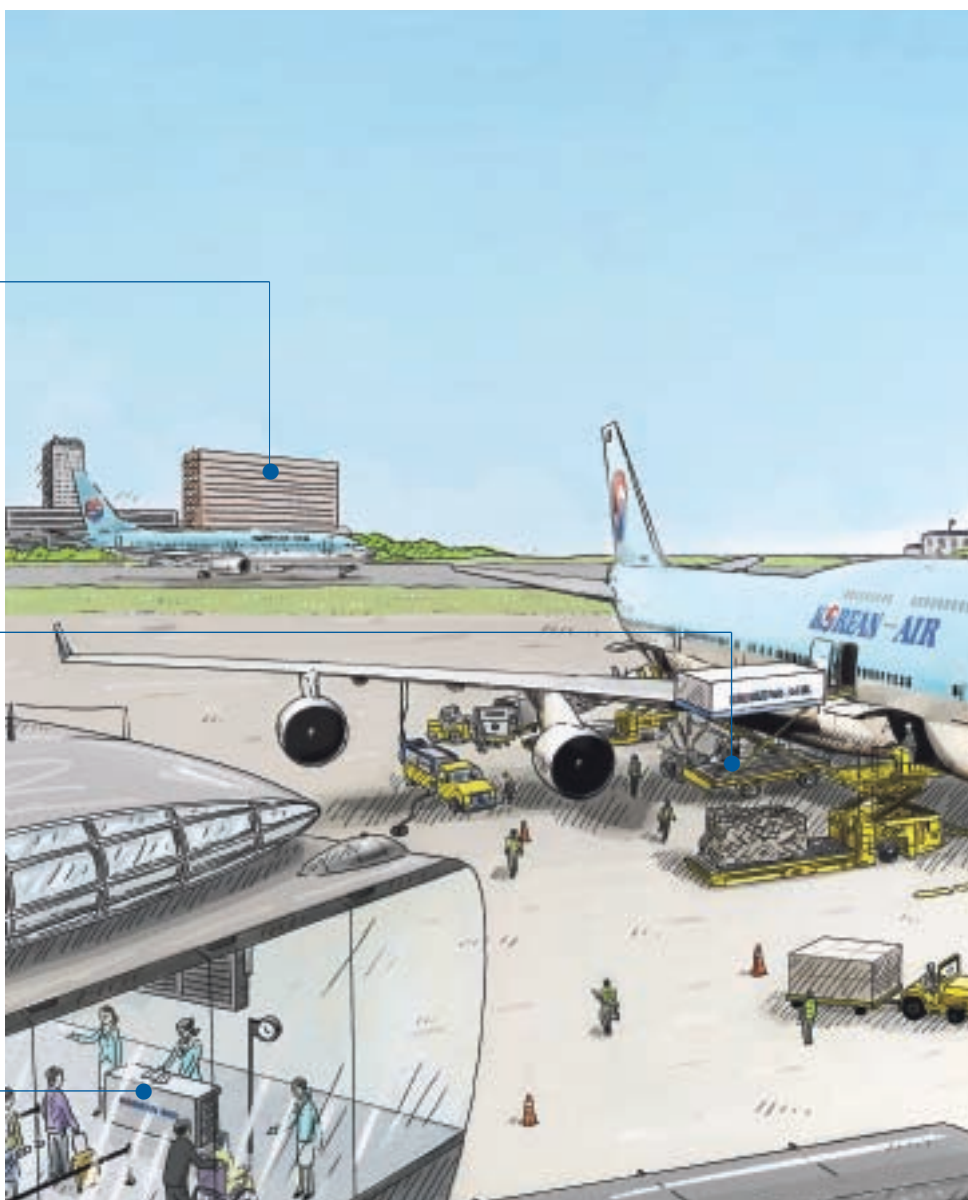
The community has a high degree of interest in the environmental impact of Korean Air's business activities. Korean Air is aware of this and continues its efforts for community development through open and **candid communications** with local neighborhoods and governmental bodies. Utilizing the transport convenience of its aircraft, Korean Air provides **social contributions** as well as community activities in the areas of education, culture, art and sports.

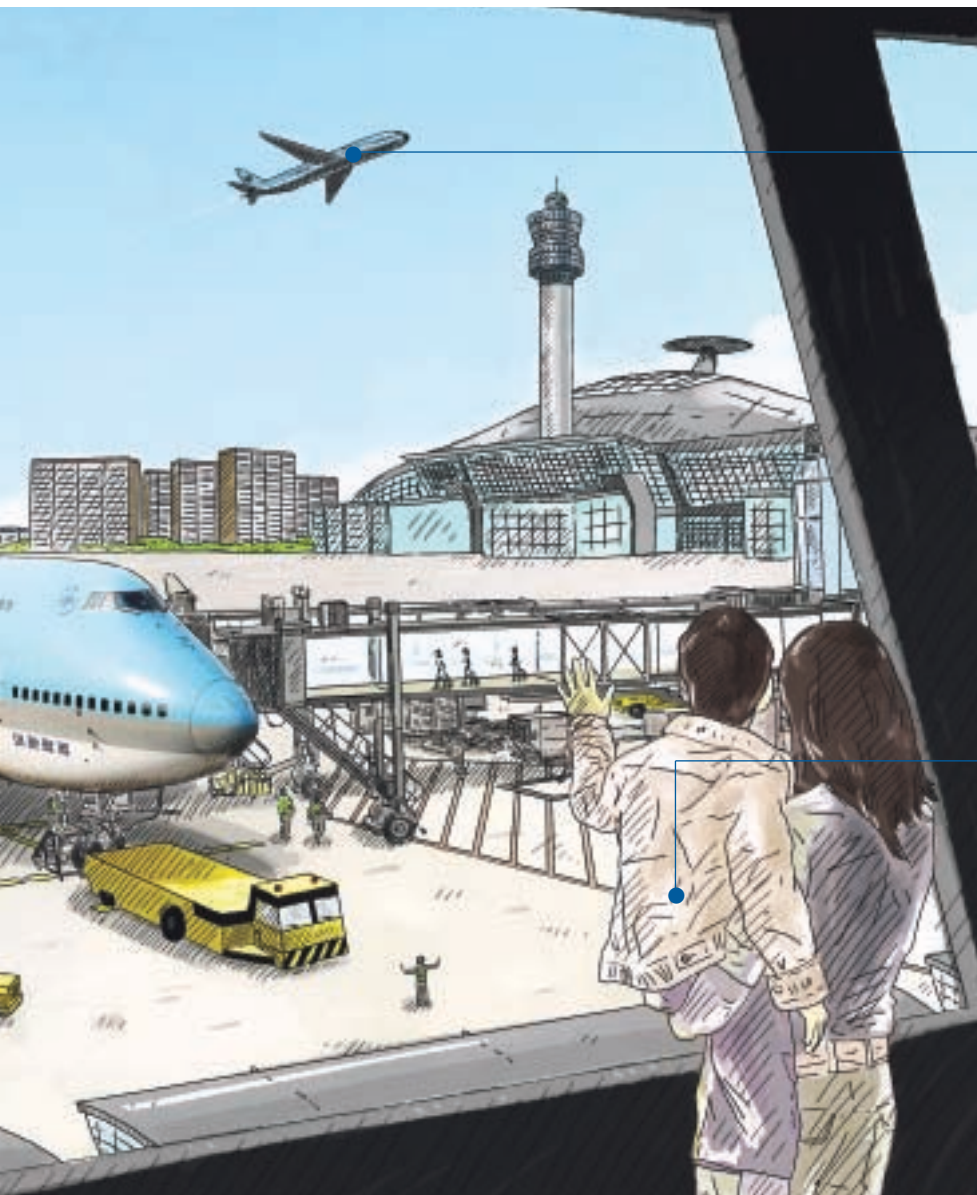
BUSINESS PARTNERS (PAGE 13, 49)

Korean Air receives ground support in loading, catering, fueling, cabin cleaning, etc. from its business partners. To establish a **mutually beneficial relationship**, we support them with technology, finance and quality maintenance, and **share economic value**, thus laying the foundation for sustainable growth.

EMPLOYEES (PAGE 42-48)

We believe that people are our most valuable asset. In keeping with this, we enhance the capability of our staff to ensure the simultaneous development of the company and its people. We implement **systematic training programs, fair evaluation programs and reasonable compensation, prohibit gender discrimination** and maintain a good labor relationship. These practices will enhance the quality of life for our employees and support them to reach their full potential, while setting the groundwork for Korean Air to become a leading global carrier.





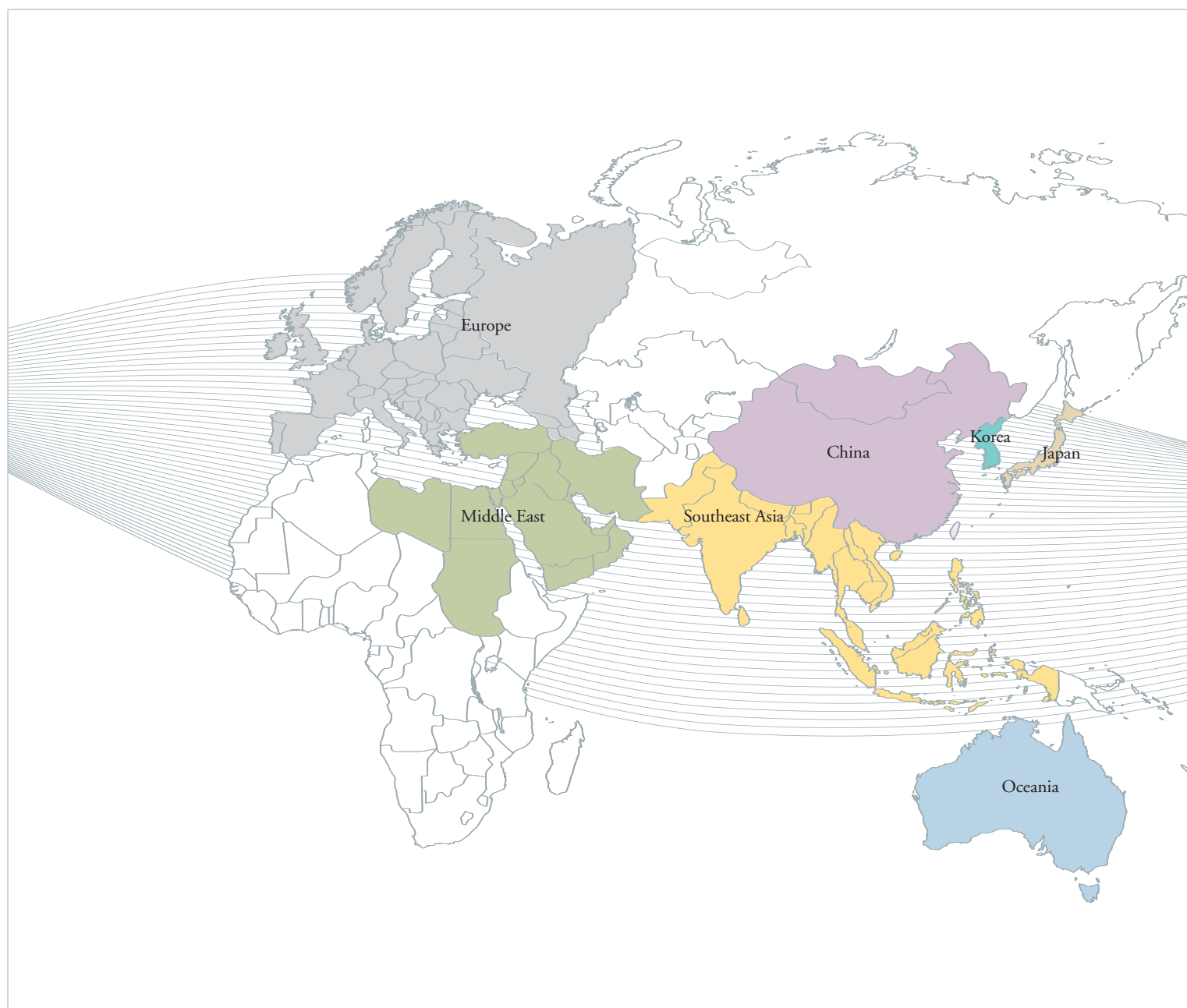
ENVIRONMENT (PAGE 58-73)

Environmentally-friendly growth has now become the norm for not only the sustainability of a company but also for the future of humankind. Fully aware of the importance of environmental issues, Korean Air cooperates with overseas airlines in a variety of initiatives designed to protect the global environment. We pursue environmentally-friendly management by introducing the latest aircraft to **reduce greenhouse gas emissions and noise and conserving resources and energy**. Korean Air strives to create a greener world where the aviation industry and the environment coexist in harmony.

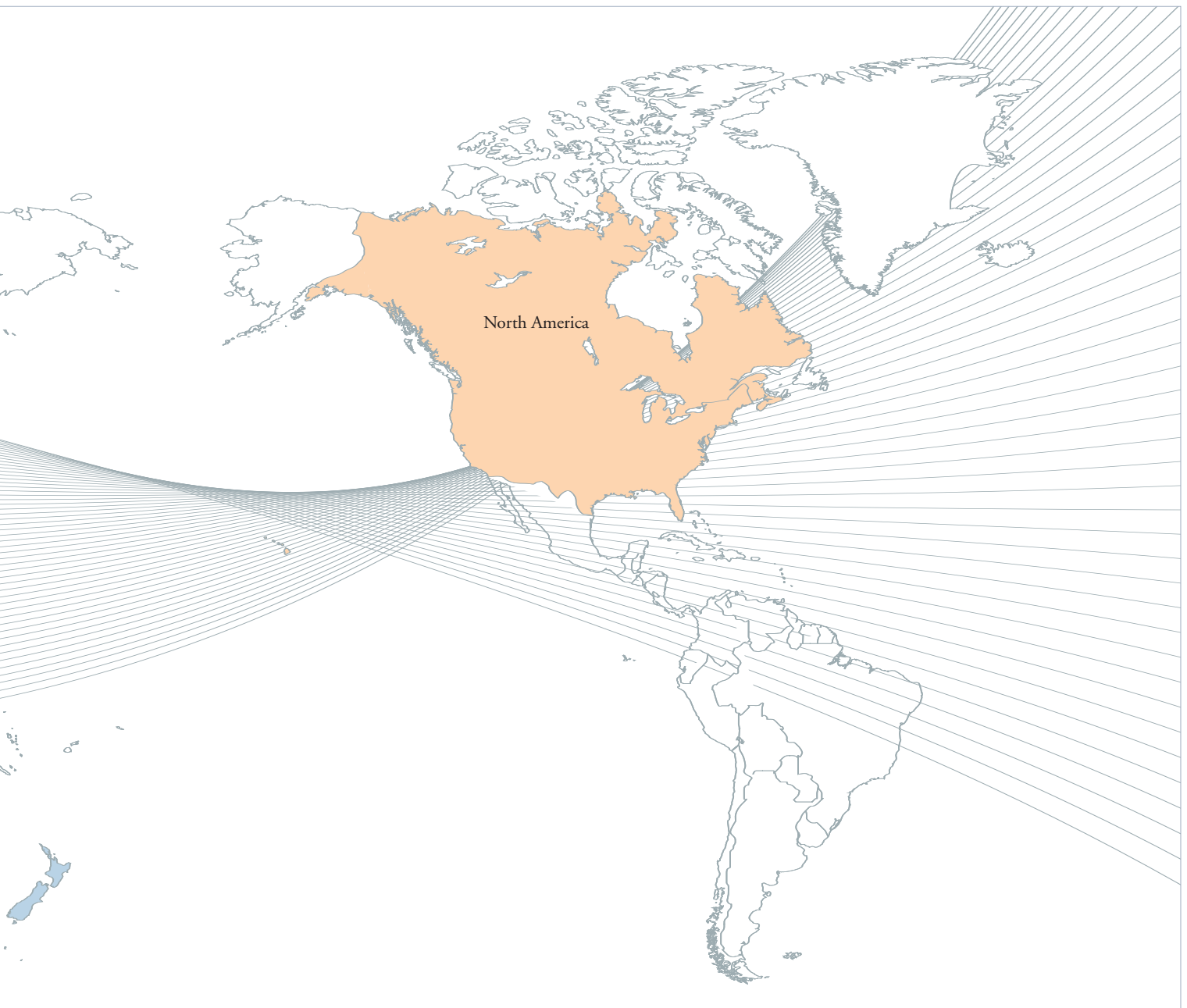
CUSTOMERS (PAGE 36-41)

Safety is accorded with the top priority for customer service in our day-to-day business activities. We are moving toward becoming one of the world's safest airlines by holding an **accident free record** for eight consecutive years. By abiding by the principle of airtight security and the protection of human rights, we endeavor to provide **the highest quality customer service via an established global network, timely operation of flights and state-of-the-art IT systems**. In addition, we maintain diverse communication channels with our customers and reflect our customers' voices in our business activities.

2007 OVERSEAS NETWORK SUSTAINABLE ACTIVITIES



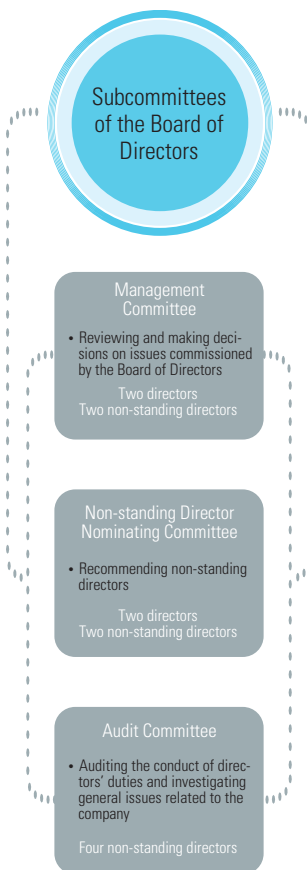
	● Europe	● Middle-East	● Southeast Asia	● China
Destinations (cities)	20	3	19	24
Flights (passenger, cargo)	9,835	854	15,583	25,756
Passenger (10,000 persons)	107	11	234	288
Cargo (tons)	375,977.5	42,957.7	329,486.6	328,007.8
ASK (1,000 km)	12,667,204	956,880	12,484,324	5,526,018
RTK (1,000 ton-km)	3,571,213	286,184	2,010,087	750,112
Operating Revenue (KRW in billions)	1,473.1	115.4	1,032.0	738.8
Revenue Market Share (%)	19	1	13	10
Employees (persons)	237	10	266	370



	● Oceania	● Korea	● Japan	● Americas	Total
Destinations (cities)	6	14	14	15	115
Flights (passenger, cargo)	3,582	68,856	21,214	13,745	159,425
Passenger (10,000 persons)	76	975	362	232	2,285
Cargo (tons)	24,478.9	193,560.9	156,099.3	834,387	2,284,956
ASK (1,000 km)	7,274,550	4,973,140	4,999,925	27,299,579	76,181,620
RTK (1,000 ton-km)	662,513	319,753	451,355	6,731,455	14,782,672
Operating Revenue (KRW in billions)	394.4	611.4	777.8	2,607.2	7,750.1
Revenue Market Share (%)	5	8	10	34	100
Employees (persons)	76	14,890	197	459	16,505

We have established a sound and transparent governance structure to secure the confidence of all stakeholders.

Korean Air's Board of Directors is committed to establishing a reasonable and sound governance structure based upon the authority delegated by shareholders. Under such a structure, important management decisions are discussed in a transparent and fair manner, which builds trust with our stakeholders and sets the right tone for the future of the company.



| THE BOD AND ITS SUBCOMMITTEES |

Consisting of highly capable executives who are leaders in the aviation industry and outside experts from a range of diverse fields, Korean Air's Board of Directors conducts thorough discussions to make correct decisions. At Korean Air, senior executives with relevant expertise related to the current agenda are asked to attend pertinent BOD meetings, and the attending BOD members then receive a comprehensive explanation of related matters to enhance their understanding and thus, enable them to make informed decisions. The annual plan for BOD meetings is prepared and delivered to BOD members in advance to encourage their attendance and promote the efficient operation of the BOD. Non standing members are provided with offices at the company headquarters and the right to access the company's intranet. This is to enhance their understanding and interest in Korean Air's business status and to provide them with a diverse range of corporate information. Three specialized committees operate under the BOD according to the relevant rules and regulation—the Audit Committee, Management Committee, and Non-standing Director Nominating Committee. Among them, the Audit Committee is composed entirely of non standing members to maintain its independent role of checking and monitoring the company's business execution and the BOD's activities.

| RISK MANAGEMENT |

Given the volatile environment companies operate in, risk management is a key strategy for a company's continued survival and growth. Well aware of the impact of potential crises on corporate management, Korean Air established its own risk management system that not only implements risk recovery measures, but also preemptively detects the possibility of risk occurrence and expansion. Based on the company's definition of various risk categories such as flight accident, natural disaster, environmental threat, and oil price / foreign exchange rate fluctuations, specific measures are in place to cover various scenarios such as risk management guidelines, countermeasures and manuals for each type of risk, along with an emergency response structure. We are always fully prepared to initiate the risk management system in the event of a risk, and to resume normal business activities once the risk has abated. In today's increasing volatile environment where businesses face issues arising from beyond natural and social factors, various types of crises have the potential to deliver a deep impact. Fully aware of this, Korean Air is committed to continuously upgrading the risk management system in order to maintain it at an optimum level.

BOARD OF DIRECTORS / ORGANIZATION CHART

01	02	03	04	05
06	07	08	09	10

01 Chairman & CEO **Cho, Yang Ho** 02 President & COO **Lee, Jong Hee**

03 General Counsel (Senior Partner, LEE & KO) **Lee, Tae Hee**

04 Executive Vice President **Cho, Hang Jin** 05 Executive Vice President **Suh, Yong Won**

06 Director (Chairman & CEO, KISWIRE) **Hong, Young Chul**

07 Director (Professor, Seoul National University) **Park, Oh Soo**

08 Director (Professor, Seoul National University) **Kim, Jae Il**

09 Director (Chairman & CEO, Hana Financial Group) **Kim, Seung Yu**

10 Director (Lawyer, Doo-re Law Firm) **Lee, Sog Woo**

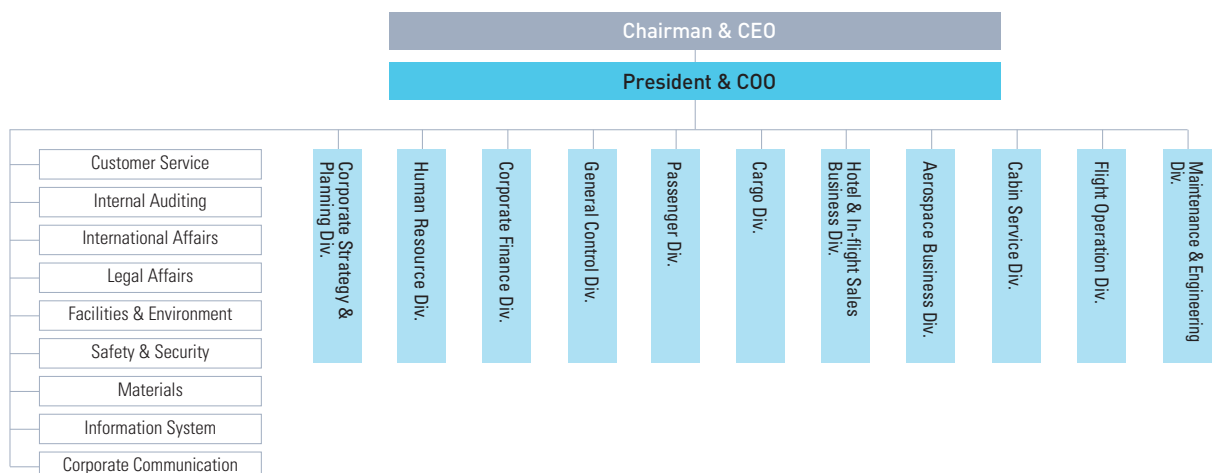
| STANDING DIRECTORS |



| NON-STANDING DIRECTORS |



| ORGANIZATION CHART |

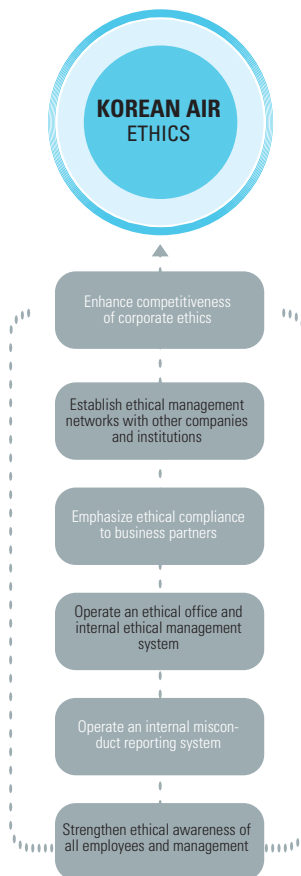


ETHICAL & TRANSPARENT MANAGEMENT

Korean Air seeks to become one of the world's premium airlines based on ethical, honest and transparent business activities.

Since the establishment of an Ethical Charter in 2000, Korean Air employees are required to use their judgment wisely in order to abide by corporate ethics in their daily business activities. The company has also entered into the UN Global Compact, a global initiative, to take its ethical management to the next level and to actively fulfill its corporate responsibility in an effort to become one of the world's premium airlines.

KOREAN AIR ETHICAL MANAGEMENT SYSTEM



| KOREAN AIR'S ETHICAL CHARTER |

Korean Air strives to promote mutual prosperity for both the company and the community. We regard transparency and responsibility as vital management principles, while respecting the competitive free market, and emphasizing corporate activities that abide by rules and regulations.

- We regard customer satisfaction and safety as our highest priority.
- We make every effort to maximize shareholder value for our investors.
- We fully respect each employee and make efforts to enhance their quality of life.
- We promote joint development with our business partners, based on mutual trust.
- We respect the principles of free competition and will lead the sound development of the airline transportation industry.
- We actively contribute to the sound development of our country and society and to the preservation of the environment.
- We acknowledge the corporate principles set forth by the company and uphold our obligations and responsibilities.

| STRENGTHENING THE MINDSET OF ETHICAL MANAGEMENT |

Korean Air's new employees are educated in corporate ethics classes and required to sign the Ethical Charter. In 2007, 15 classes were offered for 1,058 new employees. Online courses on ethical management are provided to facilitate learning, and an ethical management section on the company's intranet provides effective and specific guidelines for everyday business conduct.

| IMPLEMENTING AN INTERNAL MISCONDUCT REPORTING SYSTEM |

Korean Air launched an Internal Misconduct Reporting System in October 2002 to eradicate any misconduct caused by unreasonable individual influences, irregularities, and financial and non-financial dealings with business partners. Reported cases are investigated to correct such irregularities, and in turn, address possible inefficiencies in policies and practices.



| NETWORKING FOR BETTER ETHICAL MANAGEMENT |

Korean Air strives to build a network with outside parties to benchmark success stories and share information related to corporate ethics. The company actively participates in forums, seminars, and education programs organized by the Federation of Korean Industries and the Korean Employers Federation.

| FAIR TRADE SELF COMPLIANCE PROGRAM |

Korean Air introduced a "Fair Trade Self Compliance Program," an internal regulatory system that encourages compliance with the spirit of fair trade acts and regulations. In line with the strong commitment announced by the executive management in 2004 to abide by fair trade practices, the program has been working to prevent unfair practices and collusion as well as to establish and disseminate fair trade practices.

| INTERNAL CONTROL SYSTEM |

As part of our efforts to promote transparent management, we established an advanced internal accounting control system to enhance reliability in the preparation and disclosure of accounting information. The internal control system also monitors overall business areas on an ongoing basis with the aim of identifying and addressing potential weaknesses in business processes.

| KOREA ETHICAL MANAGEMENT GRAND AWARD |

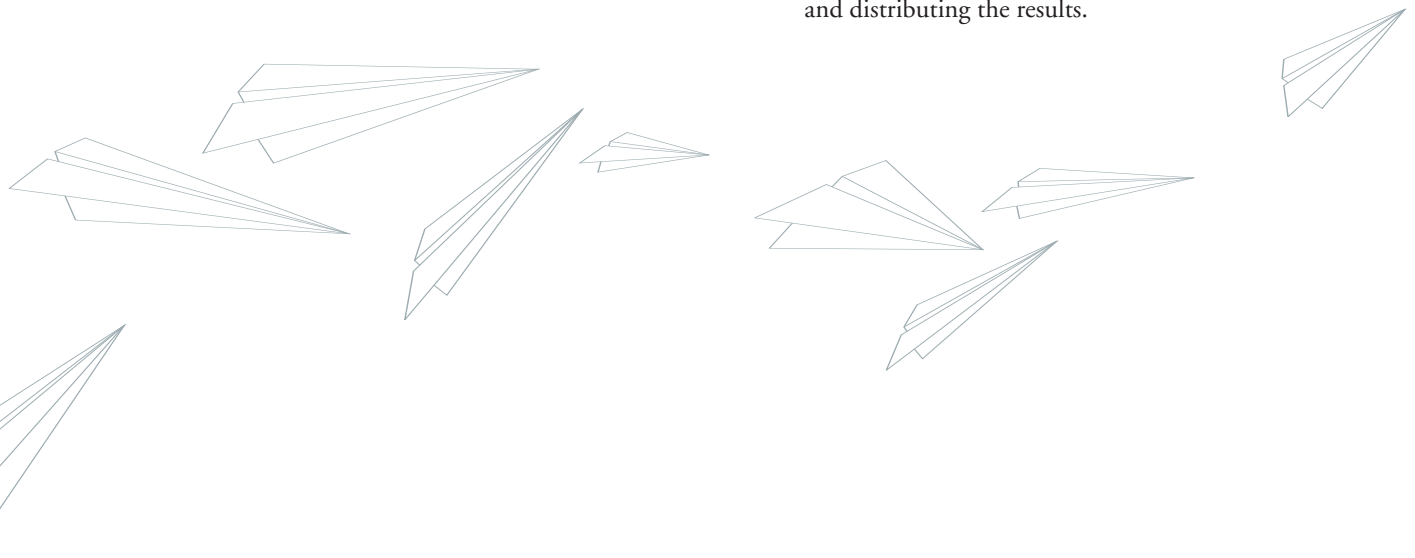
In recognition of Korean Air's company-wide efforts to promote ethical management including the announcement of an Ethical Charter and the introduction of an internal misconduct reporting system, Korea's Ethical Management Award Committee selected Korean Air as the grand prize winner of the award in 2007.



Korean Air provides more than excellent customer service.

We deliver outstanding **economic** results through stable **growth** and distribute these results to our customers along with **high-end** services and **excellent** corporate **values** to other stakeholders.

Korean Air is committed to **fulfilling** its economic **responsibilities** through creating value and distributing the results.



ECONOMIC VALUE & RESPONSIBILITIES



DELIVERING & DISTRIBUTING

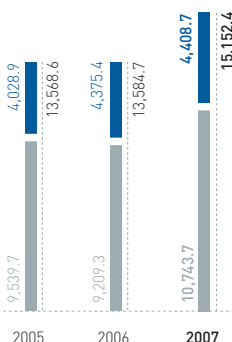
2007 ECONOMIC PERFORMANCE
REVENUE DISTRIBUTION BY STAKEHOLDER GROUP
FLEET MODERNIZATION

Korean Air achieved remarkable growth in its operating income amid economic challenges at home and abroad.

In 2007, Korean Air achieved a robust revenue growth of 9.1%, year-on-year while boosting its operating income 28% to KRW 636.8 billion. Despite a 10% hike in fuel costs, we were able to limit the expenditure rise to 7.8% through cost-saving efforts, and a decrease in foreign currency expenses driven by the strong Korean Won. Expanded demand for overseas travel and higher passenger loads also contributed to significant revenue growth.

ASSET GROWTH TREND
(Unit: KRW in billions)

■ Total shareholders' equity
■ Total liabilities



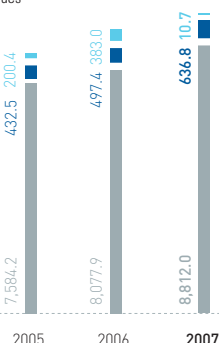
Operating Revenue of KRW **8,812** billion

REVENUE

The year 2007 was a particularly tough one for our industry due to a series of challenges; financial market instability caused by the U.S. sub-prime mortgage crisis, continued pressure from low-cost carriers, delayed economic recovery within Korea and a prolonged slowdown in exports. In addition, we faced record-breaking oil prices due to volatility in the Middle East, oil market speculation and soaring oil demand. Korean Air made multi-faceted efforts to overcome these challenges and improve its bottom line. These initiatives included: identifying new markets with high growth potential, expanding our global network, developing the high-end market, reinforcing revenue management, streamlining our flight schedules and implementing cost-cutting measures. As a result, our revenue in 2007 grew 9.1% to KRW8,812 billion over the previous year, while operating income rose 28% to KRW636.8 billion.

REVENUE GROWTH TREND
(Unit: KRW in billions)

■ Net income
■ Operating income
■ Operating revenues



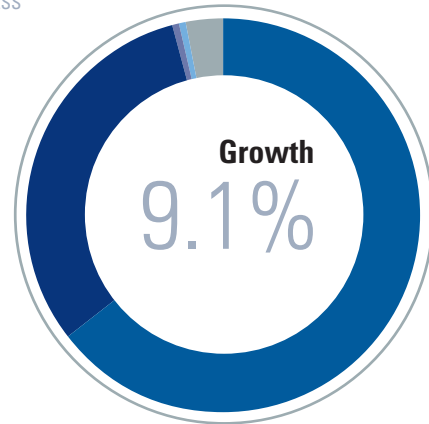
Operating Income of KRW **636.8** billion

EXPANDING GROWTH PLATFORM

Korean Air expanded its reach into cities with strong growth potential by commencing passenger flights to Madrid, Melbourne and Chiang Mai while adding Moscow, Munich and Houston to our cargo network. Meanwhile, we established Jin Air, a premium short-haul carrier, which is scheduled to start operating in July of 2008, to compete against budget airlines. In an effort to gain a foothold in the Chinese cargo business market, we also founded GRANDSTAR, a cargo carrier, in partnership with SINOTRANS, the largest cargo company in China. This business, to be launched in the first half of 2008, will become a new source of growth.

REVENUE BREAKDOWN BY BUSINESS
(Unit: KRW in billions)

Passenger: 5,217.1 (9.7% ↑)
Cargo: 2,533.0 (6.8% ↑)
Catering: 58.4 (13.8% ↑)
Hotel/Limousine: 35.2 (3.6% ↓)
Aerospace: 235.1 (11% ↑)



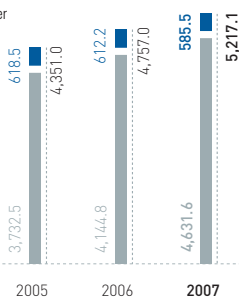
REVENUE BREAKDOWN
BY ROUTE (PASSENGER)
(Unit: KRW in billions)

North America 1,548.7
Europe/Middle East Asia 869.3
Oceania 333.8
Korea 585.5
Japan 674.3
China 528.1
Southeast Asia 677.3

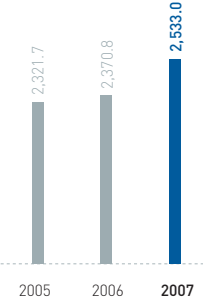


PASSENGER BUSINESS REVENUE
(Unit: KRW in billions)

International Passenger
Domestic Passenger



CARGO BUSINESS REVENUE
(Unit: KRW in billions)

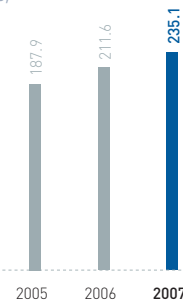


REVENUE BREAKDOWN
BY ROUTE (CARGO)
(Unit: KRW in billions)

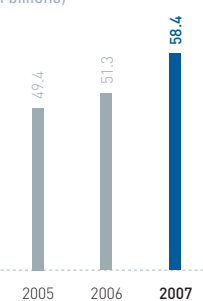
North America 1,058.5
Europe/Middle East Asia 719.2
Oceania 60.5
Korea 25.9
Japan 103.6
China 210.6
Southeast Asia 354.7



AEROSPACE BUSINESS REVENUE
(Unit: KRW in billions)

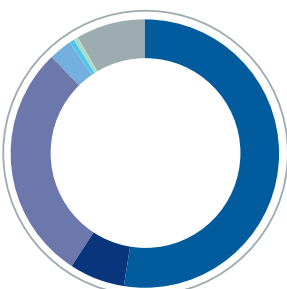


CATERING BUSINESS REVENUE
(Unit: KRW in billions)

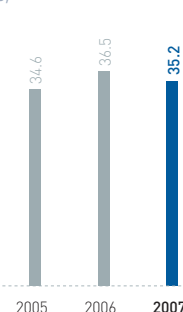


REVENUE COMPOSITION
BY BUSINESS
(Unit: %)

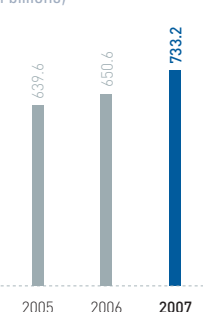
International Passenger 52.6
Domestic Passenger 6.6
Cargo 28.7
Aerospace 2.7
Catering 0.7
Hotel/Limousine 0.4
Others 8.3



HOTEL/LIMOUSINE BUSINESS REVENUE
(Unit: KRW in billions)



OTHER BUSINESS REVENUE
(Unit: KRW in billions)



REVENUE DISTRIBUTION BY STAKEHOLDER GROUP

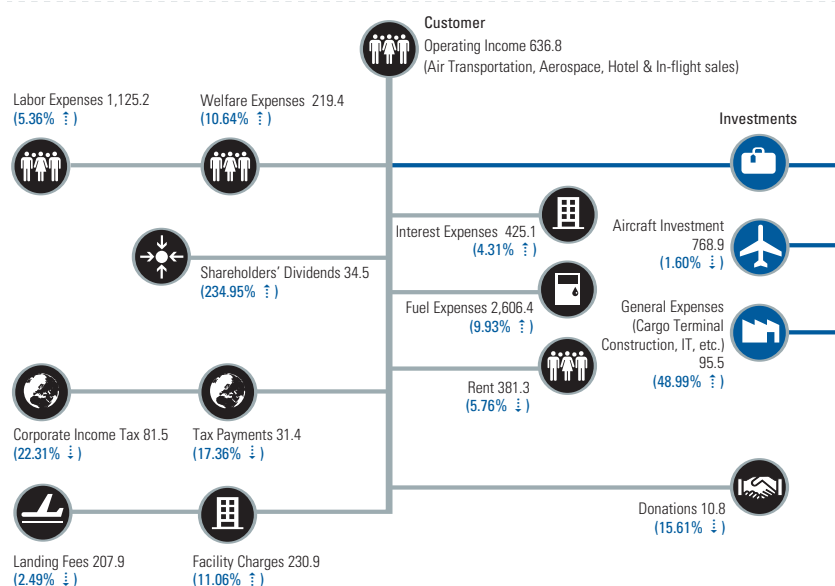
We are committed to fulfilling our economic responsibilities towards stakeholders by creating and distributing value.

In 2007, we encountered several challenges on both the domestic and international front, including financial market volatility and steeply rising oil prices. Under these unfavorable circumstances, all Korean Air employees made a concerted effort to achieve profitable growth, which allowed us to record substantial gains in operating revenue and income. In 2008, we aim to achieve KRW9,497.0 billion in revenue and KRW822.0 billion in operating income.

ECONOMIC DISTRIBUTION FOR STAKEHOLDERS

Creating value for stakeholders is at the heart of Korean Air's pursuit of sustainable development. We continuously strive to fulfill our economic responsibilities towards not only shareholders and investors, but also customers, employees, partners, governments and communities.

ECONOMIC PROFIT SHARING WITH STAKEHOLDERS (Unit: KRW in billions)



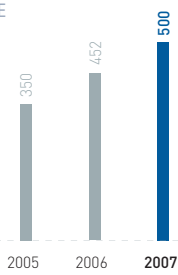
※ Figures in brackets represent changes from 2006 figures

FINANCIAL TARGET FOR 2008

In 2008, Korean Air will take aggressive steps to secure a sound growth base and global competitiveness. To achieve the goals, we will strategically shift our capacity to focus on profitable business, make efficient use of resources and enhance the company's management structure while continuing our relenting focus on safety. In line with these goals, we set a financial target for 2008 of achieving KRW9,497.0 billion in revenue. Compared to 2007, the 2008 goal is up 7.8% in revenue, and 29.1% year-on-year growth in operating income.

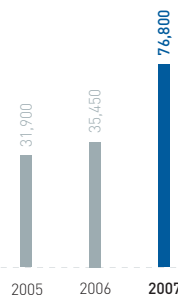


DIVIDEND PER SHARE
(Unit: KRW)



※ The 2006 figure represents the amount of cash which 1% of dividends were converted into in terms of the standard dividend.

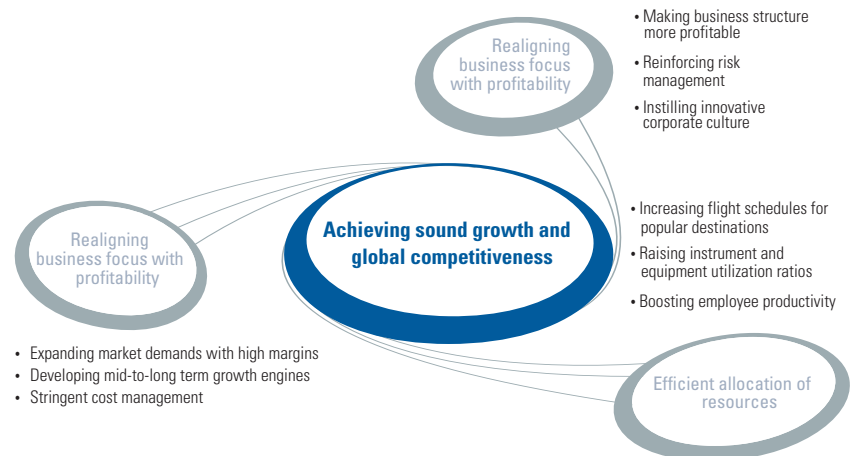
KOREAN AIR SHARE PRICE
(Unit: KRW)



※ as of the end of each year

We will overcome adverse business conditions such as oil price hikes and financial market volatility, by focusing on profitable market demands and increasing flight frequency on popular routes, while stringently controlling costs.

Furthermore, Korean Air seeks to grow our new businesses GRANDSTAR and Jin Air while aggressively expanding our overseas networks in China, the USA and Europe. In response to a rapidly changing market environment, Korean Air will introduce ERP (Enterprise Resource Planning) and instill a corporate culture that embraces change. We also plan to introduce two B777 passenger aircraft and remodel older B747 passenger aircraft into cargo freighters in an attempt to modernize our fleet and expand our supply of freighter capacity.



RESPONSIBILITIES TO SHAREHOLDERS

Korean Air respects each and every one of its shareholders and places its shareholders at the top of the priority list in its day-to-day business activities. In 2006, we realized 1% in dividend ratio. In 2007, we distributed KRW34.5 billion in dividends despite only achieving KRW10.7 billion in net income. As such, we are committed to fulfilling our responsibilities to our shareholders by gradually expanding our dividend ratio.

Korean Air will remain committed to aircraft modernization to enhance fuel efficiency and reduce noise and emissions.

Korean Air clearly understands that there is no more effective way to reduce aircraft noise and emissions than steady investment in aircraft. As part of our initiative for fleet modernization, we are replacing existing aircraft such as the B747 and A300 with A380, B787 and B777 aircraft that are among the most fuel-efficient and environmentally-friendly aircraft in the world.

FLEET PLAN

Korean Air will introduce 38 passenger aircraft (eight A380s and ten B787s) and ten freighters (five B747-8Fs and five B777Fs) by 2015 in order to upgrade its fleet and secure a stable supply of capacity in response to rising demand for air travel.

A380 aircraft will be introduced in 2010 to cover long-haul routes between high demand hub airports. This state-of-the-art aircraft is more environmentally-friendly, using less fuel while generating less noise and emissions than existing jets. The B787, another new aircraft which will be launched from 2009, is made of composite materials. Its lighter construction and remarkable fuel efficiency enables the aircraft to fly over both new long-haul routes and existing medium range routes.

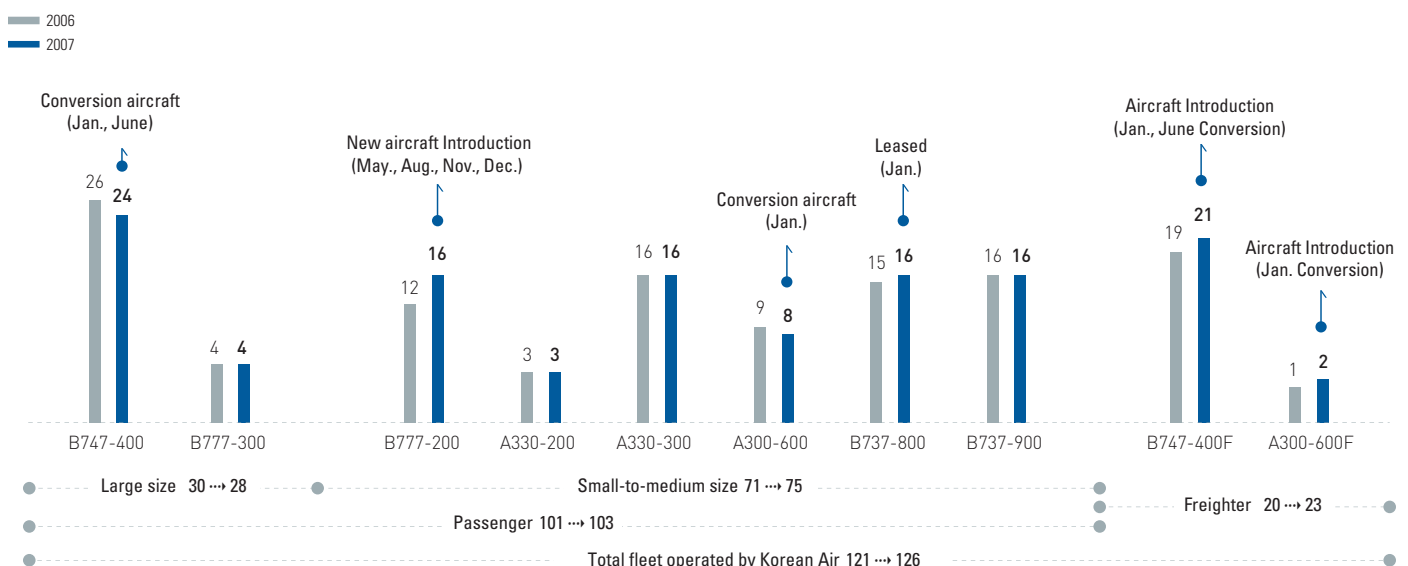
Fleet upgrade comprises part of our drive to provide better service and enhance our competitiveness. Our seventeen B747s are now refitted with superior seats and state-of-the-art equipment such as AVOD and we plan to further remodel our B777 and A330 aircraft to make flying with Korean Air even more comfortable for our passengers.

A380 The A380 aircraft generates less noise during take-off/landing than the A340 which was recently commercialized. Compared to the B747, its external noise level (85dB during take-off) is 37% lower while the level of noise in its passenger seats and cockpit is 5dB less. It emits 70-80% less NOx and 30-40% less HC, CO and smoke according to limits stipulated by CAEP6*, a new industry standard which is more stringent.

*CAEP6 (6th Committee for Aviation Environmental Protection);
See Glossary on Page 80

B787 Made of composite materials, the B787 boasts 20% higher fuel efficiency than existing medium sized aircraft. It will be used for new long-haul routes and existing medium range routes. Korean Air currently manufactures and supplies B787 main body parts and core components of the winglets.

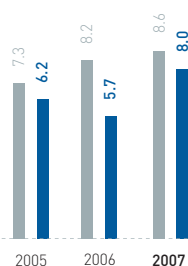
FLEET / AIRCRAFT INTRODUCTION & DE-COMMISSION (Unit: unit)





FLEET AGE (Unit: Year)

Passenger
Cargo



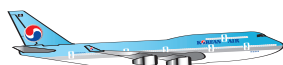
AVERAGE FLEET AGE

The average age of the Korean Air fleet is 8.5 years, as of the end of 2007, which is lower than the world-wide average of 11.2 years. It will be reduced further once we take the delivery of our new fleet.

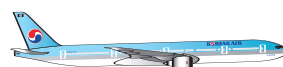
Fleet

Total fleet operated by Korean Air

126 (103 Passenger, 23 Cargo): as of Dec. 31, 2007



BOEING 747
(45 units)



BOEING 777
(20 units)



BOEING 737
(32 units)



AIRBUS 330
(19 units)



AIRBUS 300
(10 units)

Boeing 747-400 Passenger	Seating Capacity: 384/335/333 • Maximum Distance: 12,821km Maximum Duration: 14 hours 14 minutes
Boeing 747-400ERF Cargo	Maximum Payload: 117.55 tons • Maximum Distance: 8,415km Maximum Duration: 9 hours 22 minutes

Boeing 777-200 Passenger	Seating Capacity: 301/261 • Maximum Distance: 12,538km Maximum Duration: 14 hours 7 minutes
Boeing 777-300 Passenger	Seating Capacity: 376 • Maximum Distance: 9,352km Maximum Duration: 10 hours 26 minutes

Boeing 737-800 Passenger	Seating Capacity: 164/149 • Maximum Distance: 2,968/5,167km Maximum Duration: 2 hours 29 minutes/6 hours 13 minutes
Boeing 737-900 Passenger	Seating Capacity: 188 • Maximum Distance: 3,758/2,291km Maximum Duration: 4 hours 33 minutes/2 hours 53 minutes

Airbus 330-300 Passenger	Seating Capacity: 296 • Maximum Distance: 7,582/8,541km Maximum Duration: 8 hours 51 minutes/9 hours 57 minutes
Airbus 330-200 Passenger	Seating Capacity: 256 • Maximum Distance: 10,303km Maximum Duration: 11 hours 59 minutes

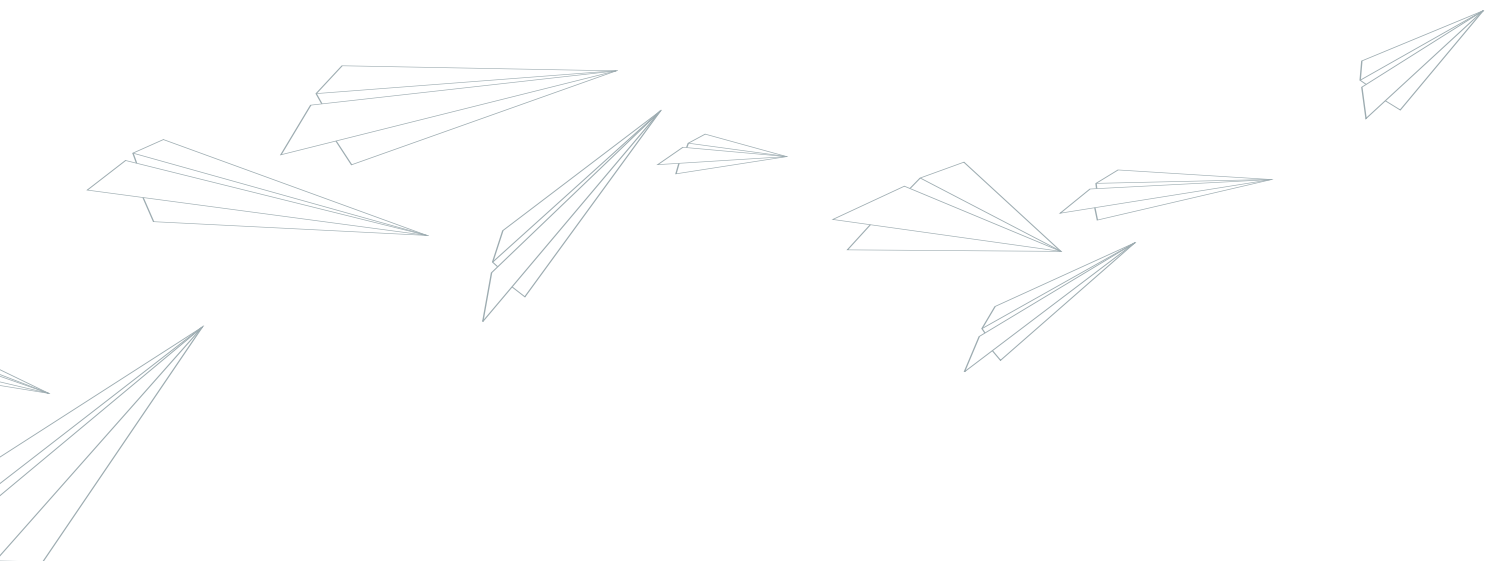
Airbus 300-600 Passenger	Seating Capacity: 276/266 • Maximum Distance: 6,121/3,519km Maximum Duration: 7 hours 27 minutes/4 hours 22 minutes
Airbus 300-600 Cargo	Maximum Payload: 46.54 tons • Maximum Distance: 4,454km Maximum Duration: 5 hours 23 minutes



EXCELLENCE IN FLIGHT!

Korean Air treats all stakeholders with **care and respect**.

Korean Air's caring **spirit** extends to
all **customers**, employees, partners and **communities**.





SHARING & CARING

CUSTOMERS_ EMPLOYEES_ HEALTH
INDUSTRIAL SAFETY_ BUSINESS PARTNERS_ COMMUNITY

Korean Air will become one of the world's safest airlines while providing "customer-oriented" service.

Korean Air maintains irreplaceable customer value through flight safety. By abiding by management policies that place safety above everything else, Korean Air has enjoyed eight consecutive accident-free years by implementing more stringent standards and management. Moreover, the company reflects customer feedback in its service management and fulfills its responsibilities for customer satisfaction by operating open and candid communication channels.

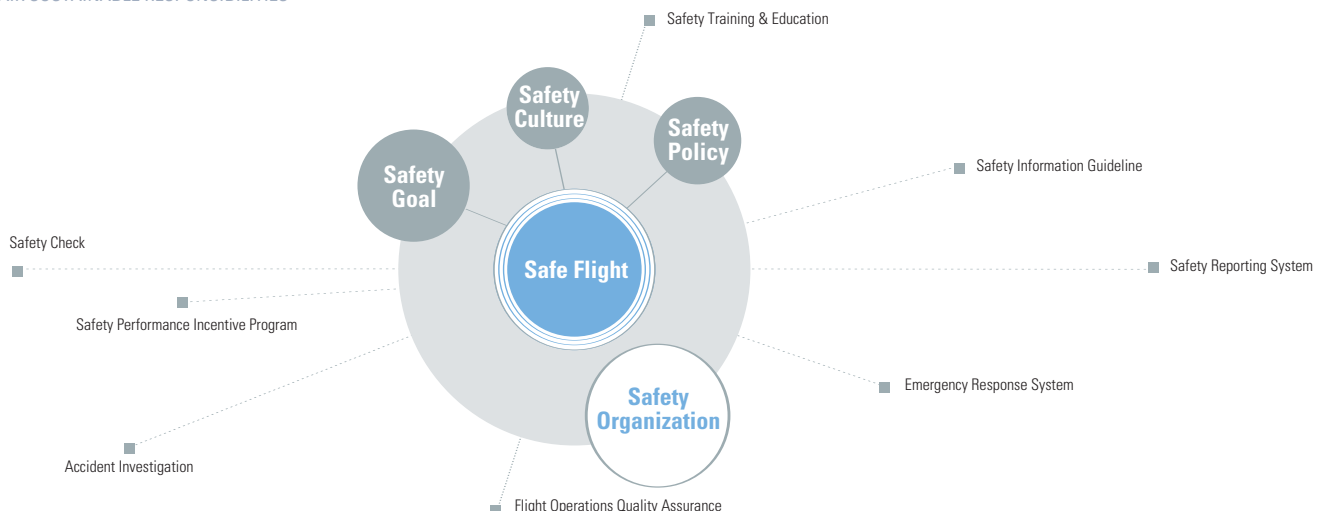
AVIATION SAFETY

Measures to Prevent Aircraft Accidents

Korean Air maintains an accident-prevention system by systematically analyzing any safety-related matters. The company prevents the reoccurrence of potential hazards identified during flights through airtight investigations into the causes of these events. This system will be streamlined under the company-wide safety management system scheduled to begin operating in 2008. The ICAO has made it obligatory to implement this system as an international standard beginning in 2009. To address this, Korean Air set up a company-wide Task Force Team in July, 2007 to build a practical safety management system. We will solidify the base for absolute safety by preemptively identifying potential hazards and devising safety measures when this safety management system is built in 2008. Korean Air monitors all flights to ensure they abide by safety regulations via the FOQA (Flight Operations Quality Assurance) system which analyzes flight data. The 3-D Aviation Visual System developed by Korean Air delivers simulations of actual flight events. This system provides a practical and realistic safety management system.

The company has made major investments not only in flight safety, but also in ground safety, including ground maintenance and support activities within airports. We conduct safety activities for airports at home and abroad based around our "home base" at Incheon International Airport and Gimpo International Airport. As a result, damage to airplanes on the ground has been significantly reduced. The aircraft damage rate for 2007 was 0.06 per 10,000 flights, a mere third of the 2007 target, 0.18 per 10,000 flights. We will improve flight safety by strengthening systematic management in order to eliminate airplane accidents on the ground.

KOREAN AIR SUSTAINABLE RESPONSIBILITIES

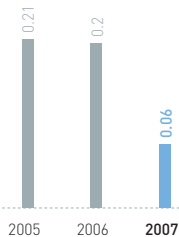




90.2%

On-time operation is a promise to customers. Excluding unavoidable situations such as inclement weather, Korean Air recorded an on-time ratio of over 90% by setting a target ratio and cooperating with related organizations.

AIRCRAFT GROUND ACCIDENT RATIO
(Unit: case/10,000 flights)



• Security for Customers

Korean Air runs programs to cope with security threats by collecting and analyzing security information via branches at home and abroad to strengthen aviation security. We enhance the standard of security by calculating the security readiness of airports which Korean Air uses. We replaced some security check equipment with new equipment at the cargo terminals of Incheon and Busan International Airports to reinforce cargo security. Moreover, Korean Air is preventing security breaches by tightening cargo check regulations. In preparation for potential terrorist threats, the company has expanded its crisis readiness by holding simulated drills with armed security guards flying on airplanes, combined counter-terrorism drills with national security agencies and counter-bomb threat drills. In terms of strengthening education and training for aviation security, Korean Air offers online and offline education not only to its own security employees at home and abroad but also to those from its business partners and subcontractors in an effort to spread systematic aviation security knowledge. This has elevated Korean Air's security standards in the aviation industry. In addition, the company produced a manual detailing how to deal with accidents at the outset. Therefore, Korean Air is well prepared to minimize injuries and casualties and material damages via timely and efficient countermeasures.

| CUSTOMER SATISFACTION |

• Health of Customers

Services for Invalid Passengers

Korean Air offers invalid passengers safe and comfortable flights and services to prevent emergency returns, route diversions and passenger fatalities. We first check whether air travel is possible for an invalid passenger. Then after the passenger passes this procedure, we offer medical equipment and services to the passenger. In 2007, Korean Air safely transported a total of 2,052 invalid passengers.

In-Flight Emergency Management

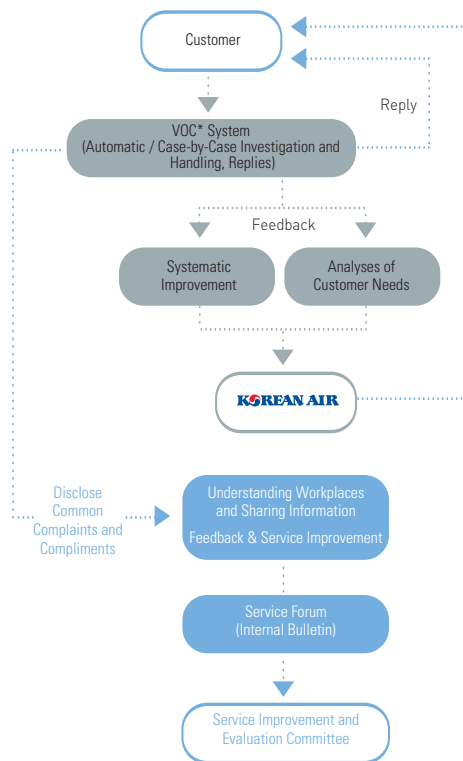
Korean Air aircraft carry and maintain in-flight medicine and medical equipment (emergency medical kits, medical bags, first aid kits, resuscitator bags, and automated external defibrillator). Cabin crew members receive regular training on managing in-flight medical emergencies.

Prevention and Management of Contagious Diseases

With an aim of preventing the spread of worldwide epidemics via aircraft, Korean Air operates worldwide communication channels to instantly share the information on and countermeasures to contain the spread of contagious diseases in the event of an epidemic.



INTERNAL SYSTEM FOR DISCLOSING AND SHARING CUSTOMER COMPLAINTS AND COMPLIMENTS



*VOC : Voice of Customer

• Cabin Safety

In-flight passenger injuries are generally the result of clear air turbulence or abnormal contact with cabin carts. To prevent such passenger injuries, Korean Air provides related content in its work manual and gives employees safety education via workplace education and briefings.

• Customer Rights

To protect customer information, Korean Air has implemented security measures such as providing education on the protection of passenger information, carrying out anti-hacking procedures through a specialized external organization three times or more a year, operating an around-the-clock security control system and instigating tight security checks of customer service-related departments after establishing customer information protection policies and guidelines. Since 2002, Korean Air has operated a department that specializes in protecting the information of individual and corporate customers. Information protection specialists are placed in all departments and branches at home and abroad.

Moreover, the company has promoted company-wide information protection activities such as online security education programs for all employees, obligatory information security education for new employees and employees to be dispatched overseas to encourage employees to develop a comprehensive awareness of information protection measures. We conduct systematic and advanced customer information management activities such as the ISMS (Information Security Management System) certification awarded by the Korea Information Security Agency in 2005. Our efforts paid off as Korean Air won the Minister of Information and Communication's Prize at the 2007 Information Security Awards.

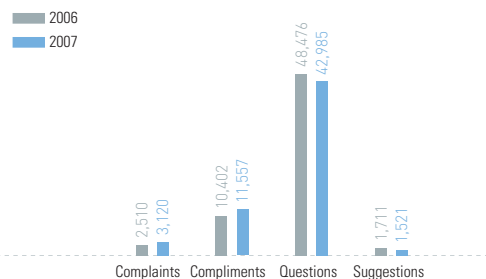
• Communication with Customers

One of the major policies of Korean Air is to establish a management system that reflects customers' opinions. In this regard, VOC (Voice of Customer) operates as a useful tool to check and monitor customer service at workplaces. The company receives about 60,000 opinions per year from around the world via e-mail and in-flight feedback forms. These opinions include compliments, complaints, questions and suggestions. In 2007, total passenger complaints increased 24% from the previous year with a steady increase in service complaints due to the rising number of passengers, abnormal flights and baggage issues. On the other hand positive comments increased by 11%. These figures denote that increasing numbers of customers are interested in the services offered by Korean Air.

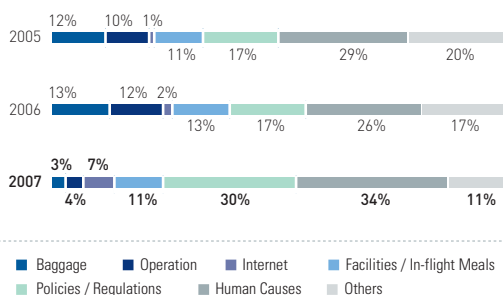
Korean Air has built an integrated system to manage all customer communications data including replies to customers. The company actively utilizes this system to respond to customer service needs. In particular, we disclose the full process from receiving to dealing with customer feedback through the intranet. This system draws the CEO's attention to topical issues and encourages company-wide sharing of issues. Through this system, we identify drawbacks in our level of service, tackle issues as improvement tasks and pursue resolutions through active discussions on a company-wide level.



CUSTOMER OPINIONS RECEIVED VIA VOC (Unit: cases)



CAUSES OF CUSTOMER COMPLAINTS



• Service Improvement and Evaluation Committee

The VOC system is not limited to receiving opinions from customers. Another important aspect of the VOC system is to implement service improvement tasks via quality checks such as regular analyses and surveys, to give feedback to related departments and improve services in a practical manner in order to cater to customer needs.

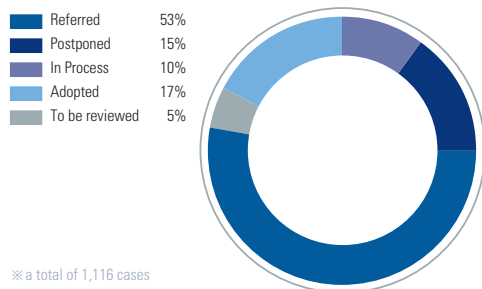
Accordingly, Korean Air operates a service improvement and evaluation committee and discloses VOC contents and the entire improvement process and tackling of issues in cooperation with relevant departments via the intranet. By doing so, the company promotes employees' participation and interest in service improvement. We correct weaknesses and problems in our services. Ultimately, the system improves Korean Air's service quality and leads to the development of new products.

• Constant Monitoring System

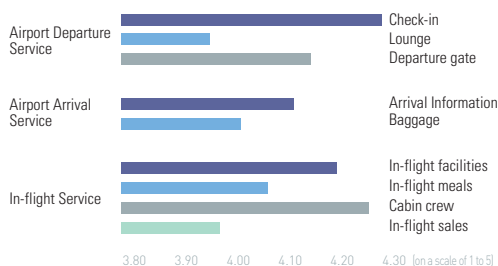
Korean Air strives to make timely improvements to service management by systematically monitoring complaints through the VOC system. We identify problems and register them as feedback tasks through the VOC database. We make improvements and at the same time, investigate problems and monitor the results of improvement efforts by visiting the problem site. This prevents problems from recurring and systemizes the problem solving process, resulting in procedural improvements. During 2007, Korean Air shared opinions with related departments and consulted with branches requiring improved services at headquarters level. As a result, we improved existing service procedures and built a systematic service process that promotes a service-centered mindset among employees in regional cargo branches and the airport service sector.



ACTION TAKEN ON OPINIONS RECEIVED ON SERVICES IN 2007



SERVICE MONITORING BY STAFF ON BUSINESS TRIPS



Webzine—an Internal Service Bulletin

Korean Air began publication of a monthly service bulletin webzine in September, 2006. Nineteen issues have been published as of March, 2008. We are leading the way in customer-oriented services by offering case study materials that utilize various examples, materials on customer needs and service trends and insights into companies that provide an excellent level of service.

Utilizing Customer Feedback to Improve our Service

Each department of Korean Air acts upon customer feedback and suggestions in order to improve work processes in conjunction with existing service monitoring reports. In 2007, the company received a total of 1,116 customer opinions and developed 17% of them into action tasks.

Service Monitoring by Staff on Business Trips

The 2007 "Service Monitoring by Staff on Business Trips" program results showed that Korean Air receiving high grades of between 4.0 and 4.3 on a scale of one to five in almost all areas. Our check-in process and cabin service received particularly high grades.

Mishandled Baggage

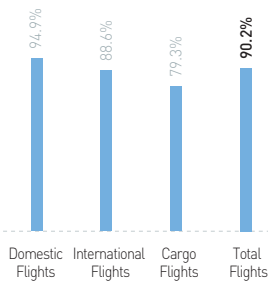
Mishandled baggage refers to cases when customers' baggage is delayed, damaged or lost upon the passenger's arrival at the destination. Korean Air has improved its baggage identification tag system and made diverse efforts including a baggage wrapping service to reduce the amount of mishandled baggage. Moreover, we offer services to track and check lost baggage using the World Tracer System.

Flying Mom Service

The Flying Mom service is Korean Air's unique in-flight service which combines unaccompanied minor services and specialized childcare. To provide the best level of care for minor passengers, flight attendants assume the role of in-flight caregiver. Flight attendants write a letter about the child's journey to parents or guardians upon arrival at the destination airport. This service began in 2002 to reduce the level of anxiety that parents feel when their children fly by themselves. Unaccompanied minor passengers on flights longer than five hours are eligible for the service. More than 10,000 passengers use this service annually. Korean Air received industry-wide attention for this one-of-a-kind service in 2006, when the company won a gold medal at the Mercury Awards for Onboard Service in recognition of its Flying Mom service at the annual general meeting of International Travel Catering Association in Cologne, Germany.

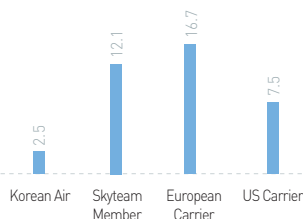


ON-TIME RATIO



※ An on-time ratio represents the percentage of departures within 15 minutes of scheduled departure without delays due to weather, maintenance, ground support, etc. This ratio is a major international index to measure the capability of airlines to manage flight operations and is an important factor in determining customer satisfaction. Korean Air recorded a 90.2% on-time departure ratio in 2007.

MISHANDLED BAGGAGE IN 2007



※ Data from AEA (Association of European Airlines)

※ The mishandled baggage ratio is an airline baggage service evaluation standard. It denotes the number of incidents per 1,000 passengers. Korean Air's ratio is 2.5 and much lower than the global airline average.

• Cargo Satisfaction through Information Technology

Korean Air is operating its e-Customer Service Platform website in four languages—Korean, English, Chinese and Japanese—for air cargo forwarders and its major customers. Through this website, customers can check schedules, make bookings and track real-time cargo movement. In addition, Korean Air posts customer complaints on this website as they are received. On average, 87.8% of reservations in Korea were made online by expanding IT service for customers in 2007. We are improving customer communication through diverse channels such as e-mail and SMS.

• On-Time Ratio

Airlines strive to deliver on-time flights as both an operational goal and as a measure of respect for customers' time. By prioritizing on-time operation, Korean Air has been making steady efforts in order to offer differentiated customer services. After analyzing the causes of flight delays, Korean Air found that the two most common factors behind delays are human error and airport operating procedures. We provide internal training course to alert our staff to the importance of the on-time operation of flights and to improve employee competence. Externally, we actively resolve problems in conjunction with related authorities.

Thanks to these efforts, delayed and cancelled Korean Air flights due to maintenance work remained at one of the lowest levels globally in 2005 and 2006 (data provided by Boeing and Airbus). Korean Air recorded the world's best on-time ratio in two (B747-400, B777) out of five models currently in service. The other three models (B737-800/900, A300-600, and A330) ranked second for on-time departures among global airlines.

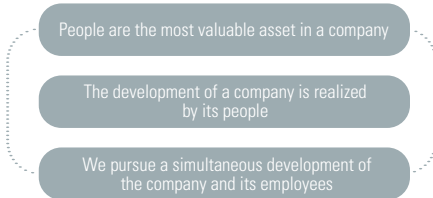
• Service Evaluation by External Organizations

As a result of its innovative service, Korean Air received positive evaluations from external organizations. Within Korea, Korean Air ranked first in the airline sector of the 2007 KS-SQI held by the Korean Standards Association. The company also ranked first for three consecutive years in the Global Customer Satisfaction Survey by the Global Management Committee. Prosumer, a consumer magazine published by the Korea Economic Daily ranked Korean Air first in the service and safety sector. Business Traveler selected Korean Air as Best Airline in Asia for 2007 and the Best Transpacific Business Class in the "Reader's Choice Best in Business" survey results for two years in a row. Furthermore, we received the Mercury Prize in the food and beverage category for the second time. OAG (the Official Airline Guide) and Skytrax also named Korean Air as the Best Economy Class in each of their Skytrax World Airline Awards and OAG "Airline of the Year" awards. Our high quality flight experiences are well regarded as we move toward becoming an outstanding global carrier.

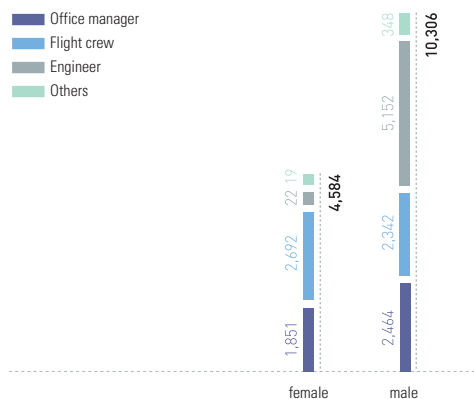
A company is the sum of its people. Korean Air treats its employees with respect and encourages them to reach their full potential as they are the company's most precious resource.

Korean Air human resources management policy focuses on the development of both the company and its employees by following the philosophy that "a company is its people." Korean Air offers equal employment opportunities to all staff along with reasonable performance-based compensation and implements diverse welfare systems to enhance employees' quality of life. While promoting a positive workplace for employees and enhancing their quality of life, we are creating a labor-management culture where both Korean Air and our employees enjoy mutual prosperity through labor-management cooperation.

PERSONNEL MANAGEMENT PHILOSOPHY



NUMBER OF EMPLOYEES (Unit: persons)
Total number of employees: 14,890 persons



※ Excluding 1,615 overseas regional staff

※ Average service years of female staff: 8.37
Average service years of male staff: 14.79

PERSONNEL MANAGEMENT PHILOSOPHY

Korean Air's personnel management philosophy is a company is its people." This remark encapsulates the corporate vision of Korean Air's founder, the late Cho Choong-hoon, who believed that "a company is established by people and is grown and developed by them." The goal of Korean Air's personnel management philosophy is to promote the development of both the company and its employees.

STATUS OF EMPLOYEES

To become a leading global carrier, Korean Air fosters specialized human resources and secures highly competitive people. At the same time, we contribute to employment stability at home and abroad via a steady rate of job creation.

Female Employees

Korean Air is expanding its employment of female employees. Female staff accounted for 31% of Korean Air's total work force. Korean Air has implemented initiatives for female workers including paid maternity leave to improve working conditions for female employees.

Hiring Overseas Human Resources

Korean Air is widening its global business scope to increase its competitiveness. In keeping with this, the company actively recruits highly talented people in overseas countries without discrimination according to nationality, culture and religion while strictly abiding by local labor laws.

Hiring Disabled People

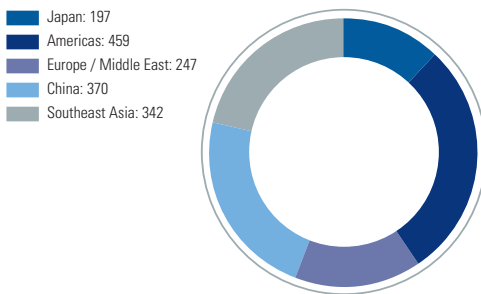
Korean Air began hiring disabled staff in 2000 as part of its human resources management philosophy. The company stepped up its drive to employ disabled people by signing an agreement with Korea Employment Promotion Agency for the Disabled in 2005. (Korean Air hired approximately 50 disabled people in early 2007. By the end of 2007, approximately 110 disabled people were working for the company.) In addition to increasing the employment of disabled people, Korean Air expanded the scope of jobs to cover reservation, ticketing, airport ground staff, and IT / general office work to help disabled employees from diverse backgrounds including those with severe disabilities maximize their potential. The company converted an increasing number of semi-permanent jobs held by disabled workers into regular jobs through a number of channels such as creating regular home-based jobs for the first time in Korea. The company won the Minister of Labor's Prize at the 2007 True Company Awards of the Korea Employment Promotion Agency for the Disabled in recognition for its efforts to expand the employment of disabled people and its contribution to promote employment of disabled people via policies designed to retain disabled workers in employment.

31%

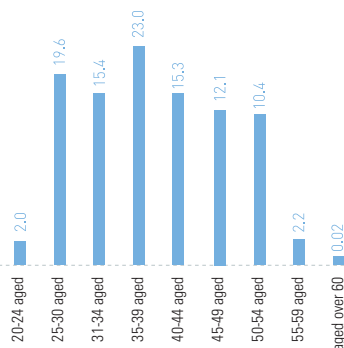


Korean Air has been increasing the portion of female staff over the past several years. As a result, its female staff accounted for 31% of its total workforce as of the end of 2007, working on a variety of job positions such as aircraft maintenance engineer as well as flight crew. We also strive to improve working conditions for our female staff.

OVERSEAS REGIONAL STAFF: 1,615 (Unit: Persons)



BREAKDOWN OF EMPLOYEES BY AGE (Unit: %)



※ Average age: 38
(average age of male staff: 41 / average age of female staff: 31)

HUMAN RIGHTS ADVOCACY

By abiding by the personnel management philosophy, Korean Air advocates fairness for personnel and management regarding employment, deployment, evaluation, compensation and promotions without any discrimination in accordance with ethical regulations designed to respect each employee and enhance their quality of life. In addition, we make efforts to resolve employees' issues and to protect the rights of female and disabled employees.

System to Resolve Employee Issues

Korean Air operates an employee counseling room in order to improve workplace relationships and promote morale by resolving complaints and receiving suggestions from employees. Counseling sessions are strictly confidential. Counselors are required to act in a respectful manner to create an atmosphere where employees feel comfortable.

Prevention of Sexual Harassment at Workplaces

Korean Air has guidelines in place to prevent and deal with sexual harassment. In addition, the company operates a counseling service and reporting office with specialized counselors to deal with sexual harassment cases. The sexual harassment counselors are employees trained by a specialized organization. They offer counseling on sexual harassment and deliver lectures on the prevention of sexual harassment. All Korean Air employees are obliged to receive online or offline education on sexual harassment prevention once a year.

Prohibition of Child and Forced Labor

Korean Air abides by labor laws at home and abroad. The company does not tolerate any form of child and forced labor.

PERSONNEL MANAGEMENT SYSTEM

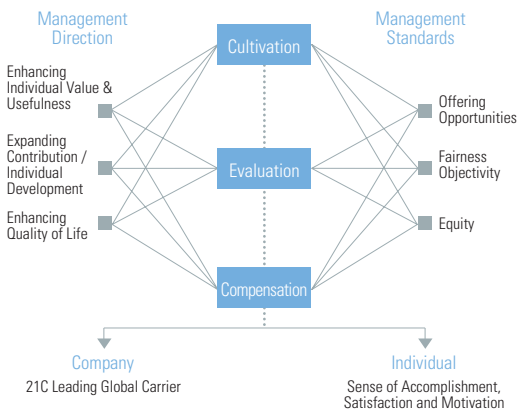
Position System

The occupational categories of Korean Air are comprised of the general operation section, the engineering section, the flight operation section and the cabin service section. Each section strengthens its specialty and enhances the specialized capabilities of the entire group. The sections operate according to a position level system.

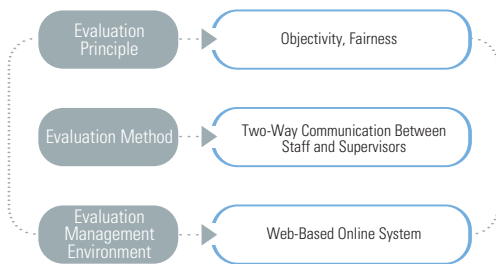
EMPLOYEES



BASIC PERSONNEL MANAGEMENT SYSTEM



EVALUATION SYSTEM



• Basic Personnel Management System

Korean Air's personnel management systematically integrates cultivation, evaluation and compensation. With the aim of becoming a "leading global carrier," Korean Air is operating a multi-faceted system befitting various occupations. Through this, we offer a sense of achievement, satisfaction and motivation to our members.

• Evaluation System

Korean Air's evaluation system measures individual capabilities and contribution to the company. We strive for transparency in human resources management by operating a fair and objective evaluation system. We also encourage employees to enhance their competence not only through evaluations designed to develop human resources, but also by providing comprehensive feedback on evaluation results.

| CULTIVATION OF TALENTED PEOPLE |

Korean Air fosters an ideal environment for the cultivation of globally-competitive human resources. The Human Resources Development and the Human Resources Development Center design and operate integrated education programs. In addition to a separate course for specialists, we run a cyber campus to promote U (ubiquitous)-learning.

Korean Air's human resources development programs can be divided into two sections: business management courses and occupational courses. The business management course includes a basic air transportation course, compulsory courses according to job roles, an Airline Management School, and MBA and KEDP (Korean Air Executive Development Program) courses for all staff. Of this, the KEDP focuses on cultivating leadership, strategic thinking, and organizational management and negotiation skills in executives.

Under the goal of developing practical and specialized workers who are adaptable, the company operates specialized education and service education programs according to job roles so that all employees can employ practical problem-solving skills in their job roles.

• Basic Cultivation System

Korean Air's basic human resources development system is composed of levels which operate in accordance with the demands of individual positions and the company. The human resources development program is divided into four major sections: management development, global capability development, job-related skill development, and organization activation education.



EDUCATION RECORDS

	2005	2006	2007
Total education person-hours	2,033,100	1,342,394	1,763,101
Education hours per person	120	84	99
Total education expenses (KRW in millions)	10,544	8,959	11,186
Education cost per person (KRW)	620,000	560,000	630,000

ONLINE COURSES OPERATING RESULTS

	2005	2006	2007
Number of courses	183	229	226
Number of registrants (persons)	39,325	102,297	172,510
Total education person-hours	548,998	696,218	690,584

LABOR UNIONS

	Korean Air Labor Union		Korean Air Pilots Labor Union	
	Number of members/ Eligible employees	Membership ratio	Number of members/ Eligible employees	Membership ratio
2007	9,281 / 13,276	70 %	1,273 / 1,829	70 %
2006	9,439 / 13,196	72 %	1,275 / 1,806	71 %
2005	9,717 / 13,455	72 %	1,325 / 1,810	73 %

※ All conclusions of the labor-management council or the collective agreements with the labor unions are applied to all staff of Korean Air.

COOPERATIVE LABOR-MANAGEMENT RELATION

Korean Air has two labor unions. One is the Korean Air Labor Union consisting of various sections such as the general operation section, the engineering section and the cabin service section. The other is the Korean Air Pilots Labor Union. The company has enjoyed collective bargaining without any disputes with the Korean Air Labor Union for 40 consecutive years. We are building a cooperative labor-management relationship while overcoming friction with the Korean Air Pilots Union. The company and labor unions share information on major management issues, changes in systems and regulations, and major decisions according to the collective bargaining agreement. Moreover, the company holds a quarterly labor-management conference, annual salary negotiations, biannual collective bargaining and when necessary, additional collective bargaining and joint labor-management conferences. When establishing and overhauling major systems, we strive to reflect the opinions of labor unions via initiatives such as co-planning which involves a labor-management Task Force Team.

• Labor-Management Communication through the company Intranet

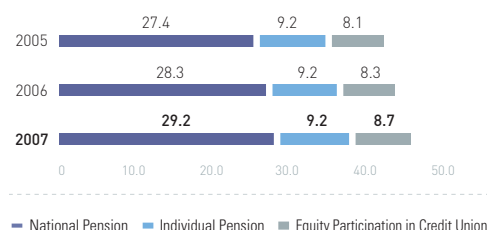
Employees can access corporate information such as company news, daily sales, major economic indicators and even systems and regulations through Korean Air's internet sites including the Employee Information System, the Work Knowledge Management System and the HANWAY System. In addition, employees can express their opinions via anonymous feedback. Employees can ask questions through an online bulletin board. These initiatives foster seamless communication.

EMPLOYEES



Employees are Korean Air's most valuable asset.

PENSION AND EQUITY PARTICIPATION
(Unit: KRW in billions)



COMPENSATION AND WELFARE

Korean Air promotes total compensation through wages based on a performance-based compensation system and various welfare programs closely connected with employees' lives.

- **Wages and Incentives:** operating a graduated performance-based pay scale
- **Welfare:** guaranteeing a basic quality of life for employees and providing practical welfare programs

WAGES AND INCENTIVES

Korean Air offers the most competitive wage level in the airline industry and encourage employees to realize their full potential. For instance, Korean Air pays its new employees with bachelor degrees 300% of the Korean minimum legal wage. The company does not discriminate between male and female employees in its wage scheme. In addition, there is no discrimination against employees in terms of their religion, age, gender or academic background. While operating a performance-based incentive scheme, we also evaluate safety-related performances and pay incentives based on the results. In this manner, Korean Air strives to stabilize employees' living and create a positive workplace.

COMPENSATION AND WELFARE FOR EMPLOYEES

Wages

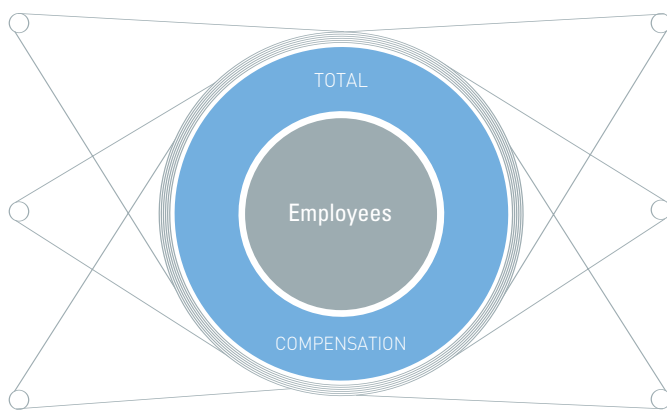
- Fair compensation
- Paying appropriate wages
- Adopting an annual salary system and promoting performance-based rewards

Subsidizing Employees' Leisure Costs

- Providing 25-35 airline tickets per year
- Providing 297 timeshare condominiums
- Providing discount vouchers for major hotels at home and abroad
- Supporting 30 in-company activity clubs

Retirement Funding for Employees

- National pension scheme
- Contributing KRW50,000-100,000 per month to employees' retirement plans
- Managing the largest corporate credit union and providing enhanced severance payments



Subsidizing living necessities

- Providing company-owned housing (2,200 families)
- Providing housing loans
- Providing scholarships for employees' children (middle, high school or college students)
- Providing scholarships for employees' children attending prestigious overseas colleges)
- Providing scholarships for children of employees dispatched to overseas branches and employees' foreign language education fees
- Providing scholarships for employees for college and graduate school tuition for job-related subjects

Health-care Support

- Covering health insurance costs (KRW22.4 billion in 2007)
- Providing individual insurance policies for employees (in 2007, the company paid KRW940 million in funds)
- Providing financial support to employees and their spouses (covering illness, accident and death)
- Covering unlimited medical expenses for cabin crew, pilots and employees working overseas (over USD200)

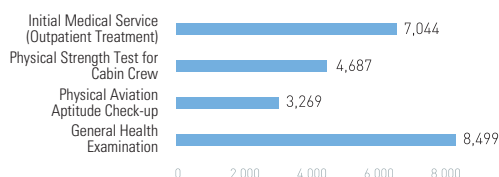
Incentives

- Performance Incentives
- Safety Incentives

Korean Air focuses on providing comfortable air travel and ensuring the health of all employees.

Korean Air operates a purpose-built Aviation Health Medical Center located in its headquarters building. The medical center has approximately 60 medical specialists including aviation-specialized doctors, nurses and industrial hygiene engineers and advanced medical facilities and equipment including U.S. Federal Aviation Administration-certified advanced equipment. Korean Air has established diverse health and medical policies to ensure the health of its employees and is making every effort to put these policies into practice.

2007 HEALTH MANAGEMENT ACTIVITIES
(Unit: persons)



EMPLOYEE HEALTH CARE

- **Medical Check-ups**

Korean Air conducts annual physical check-ups of all employees to facilitate the early detection and treatment of employee health problems. The company provides follow-up care for those suffering from health problems via examinations and counseling. In addition, Korean Air ensures the health of employees in accordance with the Industrial Safety and Health Law by conducting pre-employment check-ups, if necessary.

- **Aviation Physical Aptitude Test**

Korean Air's pilots maintain optimum health via comprehensive health evaluations and management program. To ensure flight safety, Korean Air carries out diverse health management and illness prevention activities via domestic and foreign physical check-up certificates which prove its flight crew's suitability for employment.

- **First-Stage Medical Service**

When employee health problems arise, Korean Air offers free medication and physical therapy according to doctors' orders. Moreover, the company provides a wide array of immediate first-stage medical services such as annual protective inoculations against influenza.

- **Promotion of Health and Health Education**

Korean Air operates health counseling rooms fitted with advanced facilities and equipment. Specialized nutritionists, certified exercise professionals, and anti-smoking counselors offer personalized health advice and prescriptions related to employees' jobs. Furthermore, through online channels, Korean Air offers a range of health information and holds quarterly health education seminars to help employees take responsibility for their health.

INDUSTRIAL HEALTH AND WORK ENVIRONMENT MANAGEMENT

Korean Air conducts regular work environment checks and local exhaust self-inspections and mitigates harmful workplace elements in accordance with the results of inspections. The company promotes a clean and comfortable working environment by measuring light intensity and air quality in offices.

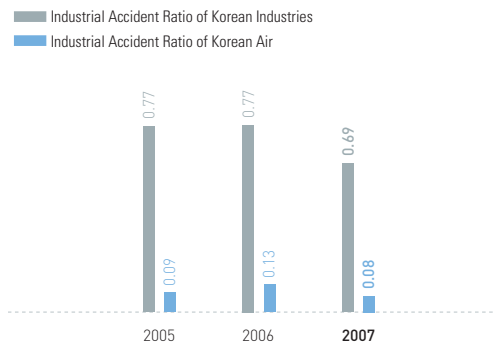
At the same time, Korean Air complies with the Material Safety Data Sheet (MSDS) relating to chemical materials at workplaces and secures high-quality protective gear to protect workers from harmful elements. To deliver workplace-oriented health and hygiene services, Korean Air provides a joint tour of its facilities for doctors, nurses and industrial hygiene engineers. Korean Air protects employees' health by mitigating potential harmful elements, offering health counseling and education and conducting job-related disease prevention activities.



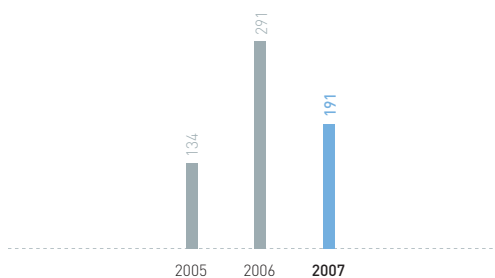
We create a healthy and safe work environment.

Korean Air promotes accident-free workplaces via an ongoing workplace safety campaign, one of its internal incentive programs. Safety management skills implemented by headquarters to mitigate accidents and encourage competition in good faith have resulted in a remarkable decrease in the number of industrial accidents.

INDUSTRIAL ACCIDENT RATIO PER 100 WORKERS
(Unit: cases)



INCENTIVES FOR ACHIEVING SAFETY GOALS
(Unit: KRW in millions)



CREATING AN ACCIDENT-FREE WORKPLACE

In terms of accidents, Korean Air has marked a stable downward trend with an accident ratio of 0.08% in 2007 while maintaining a level of 0.1% over the past five years. This performance is credited to the successful establishment of an internal accident-free campaign to promote self-controlled safety management at workplaces. To create safe workplaces, Korean Air is enhancing the level of workplace health and safety by evaluating the health and safety activities of workplaces including the Catering Business Division and the Cabin Service Division. Once a year, the Aeromedical Service Team and the Security & Compliance Office jointly visits and evaluates workplaces and awards prizes to the best department to motivate employees to carry out safety activities.

Incentives for reaching accident-free status are given to employees in proportion to their level of achievement in an effort to encourage employees to pay more attention to safety goals. The Security & Compliance Office conducts on-site verifications to determine whenever goals have been achieved and shares information with each department to ensure continuous improvement. Korean Air will continue its efforts to promote safer workplaces by efficiently utilizing safety management tools to promote safety and stamp out industrial accidents.

Evolving into an Accident-Free Workplace

Korean Air aims to operate accident-free flights to ensure the safety of its cabin crew and customers. Reaching the goal of being accident-free is difficult when considering the working conditions of cabin crew members who provide diverse services in limited spaces flying at heights of tens of thousands feet. A number of heavy items and utensils are used by cabin crew during flights. In particular, during turbulent weather crew members have to work while balancing themselves in unstable conditions, and consequently they can be exposed to various risks. To avoid accidents amid such difficult working environments, cabin crew must understand risk factors in the cabin and create a cooperative working environment. The company conducts a separate safety education program by highlighting accident cases, while encouraging physical stretching during pre-flight briefings. Korean Air pays particular attention to flight crew health by encouraging physical activity when employees are engaged in long-haul flights.

Coexistence comes from mutual understanding and empathy.

Korean Air is moving ahead with mutual growth and realizing the true meaning of coexistence by operating an active win-win system in various sectors such as technologies, finance and quality. In this spirit, the company was a co-founder of SkyTeam, a customer-oriented airline alliance comprised of world renowned carriers. Korean Air seeks to offer the world's finest airline services by forming strong partnerships with member airlines. We endeavor to realize economic performances while fulfilling our social responsibilities through such efforts for coexistence.

| COEXISTENCE WITH BUSINESS PARTNERS |

These days, corporate strategies focus more on coexistence with business partners via increased outsourcing to concentrate resources on core sectors and sharing of information with suppliers to improve processes and mitigate the effects of higher costs and intense competition, while catering to diverse customer needs. Accordingly, today's concept of purchase management has moved from competition between buyers and suppliers toward a win-win outcome by strengthening relationships with suppliers. Korean Air cooperates with business partners from the initial product design and review stage through to product delivery. The company implements win-win management for coexistence via joint optimized technological development and reduced production time by sharing information such as mutual technological assistance and cost optimization.

- **Introduction of ERP (Enterprise Resources Planning) System**

Through the introduction of the ERP system, slated for 2009, Korean Air will realize efficient management by managing corporate resources in an integrated manner. This will enable the company to manage resources and ascertain management status in real time and share information via a systemized database of corporate information related to finance, accounting, production and sales. When the ERP is up and running, each department will be able to access information simultaneously and therefore, process work in an integrated manner. This system will deliver fair and transparent management for our business partners and stimulate mutual prosperity among Korean Air, its business partners and various stakeholders amid difficult business conditions. At the same time, ERP will make a significant contribution to the existing purchasing and business partner management and evaluation systems.

- **Cultivation of Excellent Business Partners**

To cultivate excellent business partners, Korean Air reviews and improves standards for registered companies and classifies them according to actual surveys of their financial conditions, the numbers of employees, the standard of the facilities, and working environments. Business partners with excellent results receive incentives, such as further business opportunities, while those with concerning results are given an initial opportunity for improvement and then, failing this, are excluded from further business.



• Business Partner Quality Control

When selecting in-flight meals, Korean Air strives to guarantee food quality and safety by carefully screening suppliers during the purchasing stage. As for parts and products used for airplane maintenance, the company only purchases products certified by international certification organizations such as the FAA (Federal Aviation Administration) and the EASA (European Aviation Safety Agency) to ensure flight safety. Korean Air has recently pushed forward with the purchase of new airplanes and engines with higher fuel efficiency in order to pursue environmentally-friendly management. At the same time, we have replaced older aircraft parts with new ones and have therefore contributed to reducing gas emissions and noise.

| SKYTEAM ACTIVITIES |

Korean Air joined a select group of major global airlines by co-founding SkyTeam, a global airline alliance, in 2000. At present, 11 member airlines and three associate member airlines offer convenient and consistent services such as reciprocal frequent flyer programs, airport lounge access and single check-in. Member airlines work together to increase mutual profits through code sharing and joint use of facilities.

| ETHICAL MANAGEMENT OF BUSINESS PARTNERS |

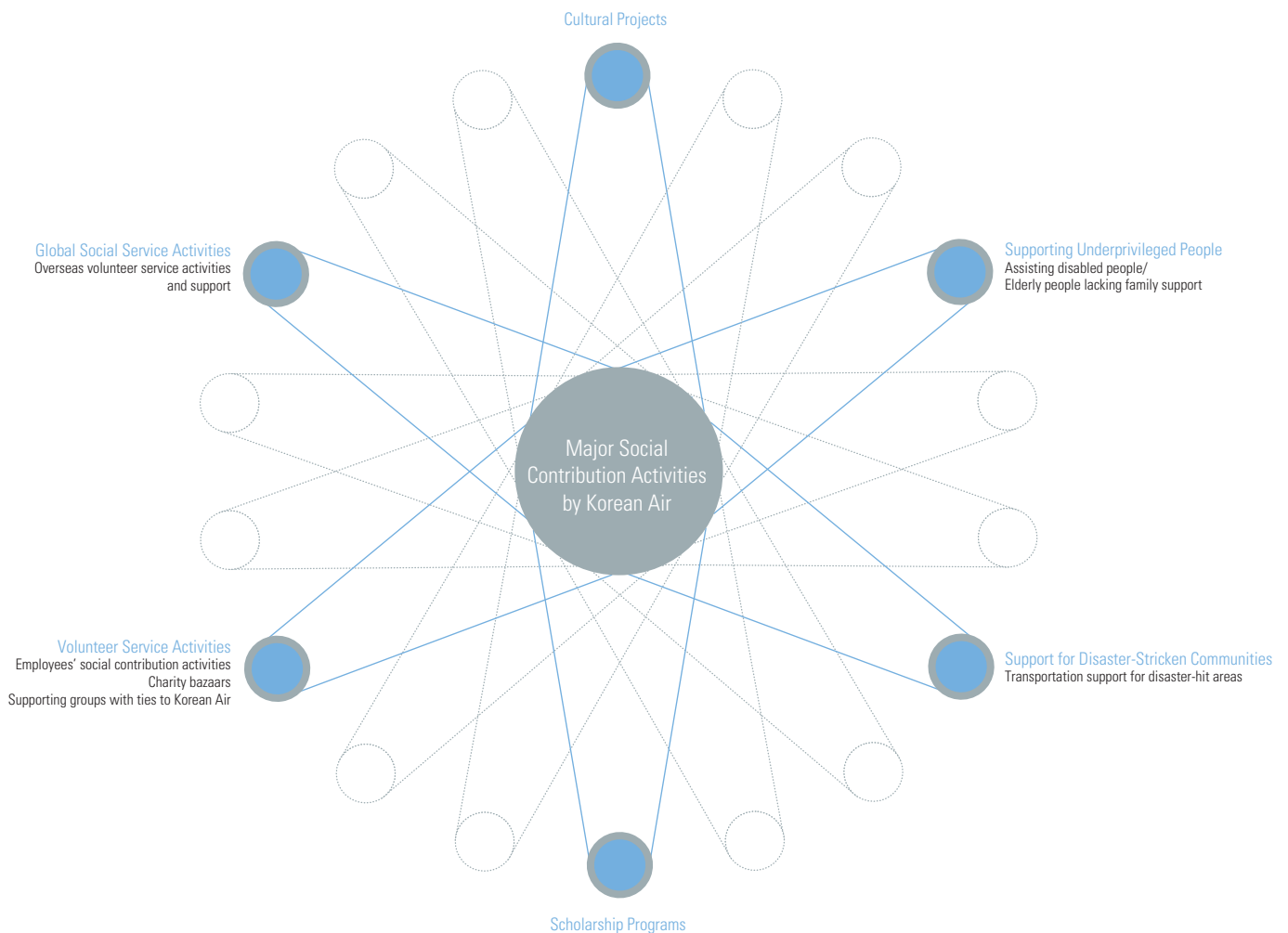
Korean Air makes it obligatory for its business partners to abide by strict ethical standards. To this end, the company is operating ethical programs which cover areas such as preventing internal wrongdoings by establishing ethical guidelines and managing a program to reward the reporting of wrongdoings. The management of Korean Air regularly corresponds with its business partners to remind them of their pledge to comply with ethical standards. The company aims to make business practices transparent and fair through punitive action such as reducing or canceling business deals when business partners violate ethical standards. Korean Air secures the coexistence and mutual prosperity of companies and society by returning corporate profits to the community through various social service activities and support for such endeavors.



Korean Air delivers the benefits of sharing not only within Korea but also globally via social contribution activities.

Under the slogan, "Wings of Love, Wings of Hope," Korean Air pursues a management policy of supporting social services for communities, and providing volunteer services and donations to international social contribution activities. As corporate social responsibilities are becoming increasingly focused, the company is conducting social contribution activities related to its unique characteristics. We carry out systematic social contribution activities by forming social networks and partnerships.

MAJOR SOCIAL SERVICE ACTIVITIES BY KOREAN AIR





| PREVENTING DESERTIFICATION IN MONGOLIA AND CHINA |

Korean Air is working on a project to build a large forest in Mongolia and the Kubuchi Desert of Inner Mongolia, the origin of the yellow dust storms that blow across Korea every spring. Since 2004, Korean Air has been planting trees in the Korean Air Forest in Baganuur near Ulaanbaatar in a bid to prevent the desertification of Mongolia.

Baganuur, which is suffering from rapid desertification, now has a 50,000m² windbreak forests thanks to reforestation efforts by Korean Air and community groups over recent years. About 90% of the trees have survived and are now flourishing in a rare case of reforestation thanks to the efforts the company and its close relationship with the community. Moreover, newly recruited employees receive environmentally-friendly training courses in the Mongolian region. Employees are given the opportunity to reflect upon the environment in a more serious manner through this activity.

Following on from the project to prevent desertification in Mongolia, approximately 70 Korean Air employees including Chairman Cho Yang-ho held a tree planting event to form the Korean Air Botanical Garden in the Kubuchi Desert on October 31, 2007. The Kubuchi Desert plantation is a large project to plant about 1.8 million trees in a 6,000,000m² desert area over a five year period from 2007 through 2011. This project is expected to decrease the amount of damage caused by yellow-dust storms in Northeast Asia including Korea and China by lowering the number of annual yellow dust storms in North China. This green initiative will also play a major role in promoting an amicable relationship between Korea and China.

| ASSISTING WITH THE WEST COAST OIL SPILL CLEAN-UP |

Korean Air employees visited the oil spill-contaminated area in Taean, South Chungcheong Province and participated in activities to clean up the area. In particular, as cleaning activities hit a snag due to a lack of oil-absorbing cloth, Korean Air immediately purchased 10.2 tons of oil-absorbing cloth through its U.S. branch and quickly transported it to volunteers cleaning up the oil spill. In addition to supplying materials and equipment for volunteers, our employees joined the movement to revive marine life by volunteering the clean-up.



| PARTICIPATION IN THE CONSTRUCTION OF THE ENVIRONMENTALLY-FRIENDLY SONGDO NEW CITY |

Korean Air is moving ahead with a plan to build an environmentally-friendly research and development and expo center in the International Building District (IBD) of Songdo New City in partnership with Inha University in Incheon. Cho Yang-ho, chairman of the Hanjin Group, suggested building this center to promote the successful development of the Incheon Free Economic Zone. The participants in the program are Korean Air and Inha University, Gale International, which is in charge of the development of the Songdo International Business Complex, and United Technologies Corp. (UTC), a multinational company.

"The Hanjin Group has made diversified efforts to protect the environment through the activation of sustainable management," said Chairman Cho Yang-ho. "We will turn Songdo into the world's most innovative environmentally-friendly city by offering a world-class venue for discussions on environmental issues through the SICB industry-academy cooperation project and attracting leading companies and research centers to Songdo."

| SCHOLAR PROGRAM |

Under the goal of realizing lifelong education, labor-management harmony and the development of excellent human resources, Korean Air established and funded Korea's first corporate educational facility, Jeongseok College, and provided student scholarships. As of 2007, Jeongseok College has produced a total of 2,896 graduates. To address the need for a more diverse range of programs and courses, the college added a bachelor's degree in industrial engineering to its course list and increased the number of bachelors' degree courses from two to three. In this fashion, Korean Air endeavors to enhance the quality of its education programs.

In addition, the company established the Jeongseok Graduate School of Logistics within Inha University, which was selected as a specialized logistics school by the Ministry of Land, Transport and Maritime Affairs, a first for a Korean education organization. The Jeongseok Graduate School of Logistics will foster core human resources to enable Korea to become a country with strong global logistics knowledge and to provide innovative corporate logistics via outstanding faculty members and advanced facilities.



| CULTURAL BUSINESS |

Korean Air announced that it will support the launch of the Korean language service at the Louvre Museum of France in July of 2007, as part of the new multimedia guide sponsorship. The Louvre Museum expedited a partnership with Korean Air to implement a hardware modernization project that included the introduction of an advanced PDA system to upgrade museum information services. However, at the time the museum could only offer an audio information service. Korean Air suggested a Korean language information service on the condition of a joint partnership between the museum and Korean Air. The Korean language became the seventh language included in the audio service offered by the Louvre Museum after French, English, German, Spanish, Italian and Japanese. Considering that a language can be an effective tool to promote a country, the Korean language information service at the Louvre Museum not only helps Koreans understand works at the museum but enhances the recognition of Korea by global travelers.

Korean Air is planning to expand the Korean language information service during the next six years according to the terms of its sponsorship deal with the Louvre Museum. We are also planning to expand our cultural sponsorship activities to inform the world about Korean culture and to support foreign cultures with sponsorship for the Louvre Museum as the first step in this plan.

| PROJECT TO TREAT CHILD PATIENTS |

Each year, Korean Air supports the treatment of Iraqi child patients. In 2007, the company supported 18 people including a medical crew by providing airline tickets and special transport to enable Iraqi children patients to receive proper treatment. This humanitarian project was started by private organizations in an effort to foster peace and reconstruction after the Iraqi War.

Korean Air signed an agreement to support operations for children with heart disease at the eighth anniversary of the Good People Foundation at the 63 Building in Yeouido, Seoul on April 24, 2007. The Good People Foundation is an international development NGO established to create a world where everyone can live in harmony by conducting emergency rescue and development work without borders for those who suffer from poverty and disasters. In cooperation with the Good People Foundation, Korean Air offers airline tickets for children with heart disease in Mongolia, Vietnam, the Philippines and Kenya and their guardians so that they can visit Korea to receive operations. In addition, we plan to support disaster-stricken areas with the transportation of relief materials and people through an emergency rescue team project.



| PINK RIBBON CAMPAIGN |

Korean Air holds an annual breast cancer prevention campaign in October, breast cancer prevention month. Female cabin crew and female airport workers don pink ribbons, a symbol of the breast cancer prevention campaign and hold an event where breast cancer self-assessment cards are handed out to passengers. Moreover, we care about and promote female health by holding various events such as special lectures on breast cancer prevention by women who overcame breast cancer.

| SPORTS SPONSORSHIP |

Korean Air contributes to the development of global sport by participating as an official sponsor in events such as the FIFA World Cup, the Olympic Games and the Asian Games. In addition, the company runs a professional men's volleyball team and semi-professional women's table tennis team. We contribute to the development of Korean sports and therefore, to society by holding various sports events and sponsoring prominent athletes including Park Tae-hwan, a world-class Korean swimmer.

The Korean Air Table Tennis Team founded in 1973, won medals at the 2000 Sydney Olympic Games and the 2004 Athens Olympic Games through the cultivation of talented players. The company expects its table tennis players to perform magnificently at the 2008 Beijing Olympic Games as well. The Korean Air Jumbos Professional Volleyball Club has played extremely well, delivering teamwork-driven and powerful performances since its foundation in 1969. The company contributes to the development of Korean volleyball and school sports by sponsoring the volleyball teams of Inha University-Affiliated High School and Inha University.

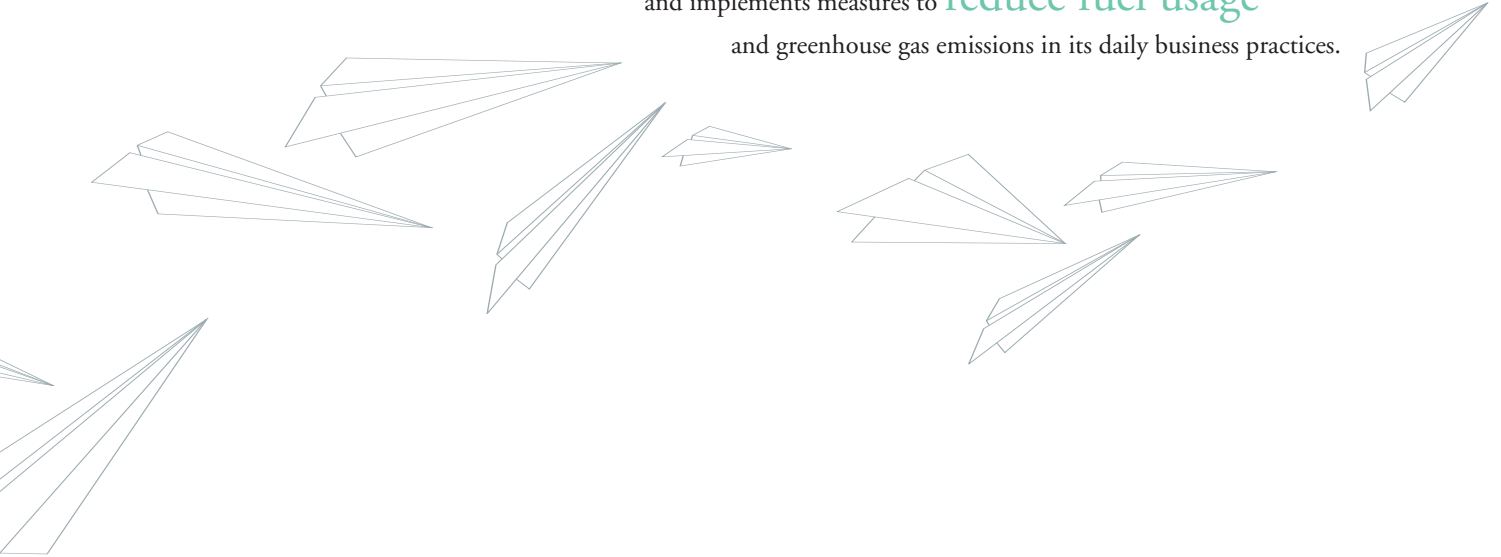
We also sponsor handball and table tennis tournaments and swimmer Park Tae-hwan in order to promote less popular spectator sports. Moreover, Korean Air signed a sponsorship deal with Kim Jin-ho, a national disabled swimmer to assist him with training and coaching costs. In this manner, the company supports sport for disabled people to enable them to pursue their hopes and dreams and raise awareness of their sporting ability.



Flying with Korean Air enables passengers to
enjoy **beautiful scenery** as they peer out the cabin window.
Korean Air realizes that it must play

a pivotal role in preserving that breathtaking scenery.

In a bid to minimize its environmental impact,
Korean Air invests in new **environmentally-friendly** planes
and implements measures to **reduce fuel usage**
and greenhouse gas emissions in its daily business practices.



PROTECTING & GUARDING

SUSTAINABLE ENVIRONMENT_ ENVIRONMENTAL MANAGEMENT SYSTEM

CLIMATE CHANGE_ NOISE CONTROL_ LOCAL AIR QUALITY

OTHER ENVIRONMENTAL ACTIVITIES

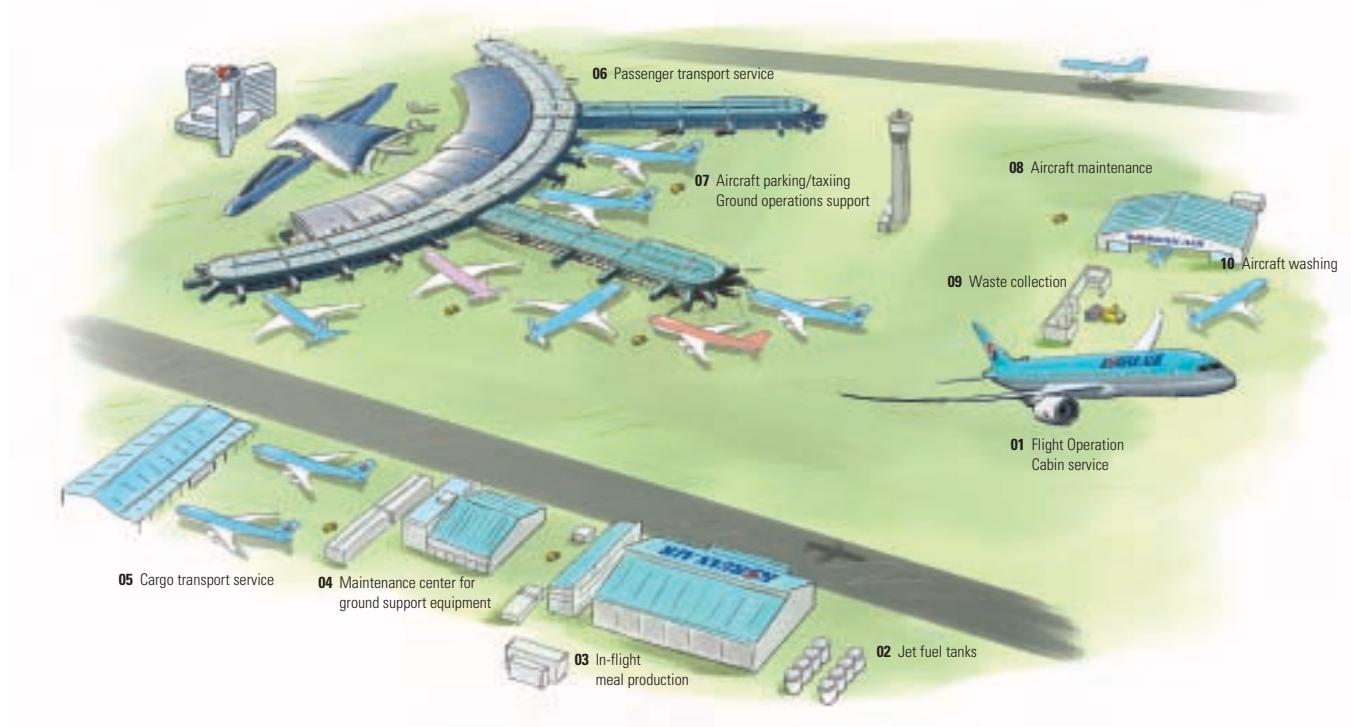
Korean Air pursues environmental management that achieves maximum value for airline operations and a minimum impact on the environment.

Korean Air understands that it must minimize its impact on the environment while meeting an ever increasing demand for air travel. In addition, we have to create a higher social and economic value for our operations. To address these responsibilities, we are making diverse efforts to reduce the environmental impact triggered by our operations. This includes measures to decrease waste produced from airline operations, such as air pollutants generated during flights, waste and wastewater resulting from maintenance work, and disposable items used during cabin services.

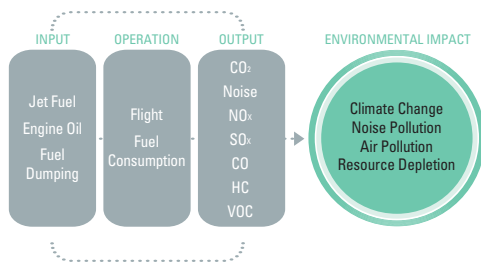
With the growth of the global economy and improved living standards, the demand for air travel and transportation of goods and services is constantly rising. However, such a high rate of growth is inevitably having a negative impact on the environment. To address this situation, Korean Air seeks to achieve the right balance between social, economic, and environmental responsibilities in order to lay a strong foundation for sustainable development. By actively pursuing diverse methods of environmental protection through fuel efficiency improvements and noise abatement, Korean Air seeks to contribute to enhancing the global standard of living.

| EFFORTS FOR A MINIMUM IMPACT ON THE ENVIRONMENT |

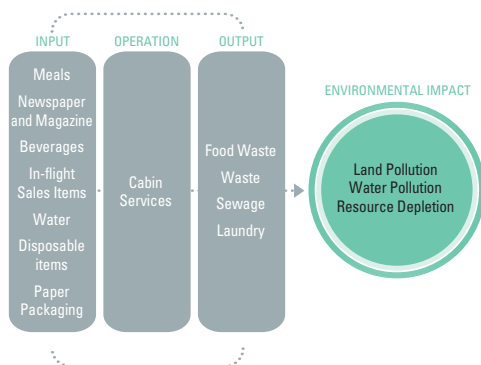
The airline industry's impact on the environment is mostly attributable to aircraft take-off, landing, and the flight itself. As Korean Air's aircraft burn fossil fuels, they emit CO₂ and NO_x which are linked to climate change. In addition, noise triggered by airline operations affects the lives of people living in the vicinity of airports.



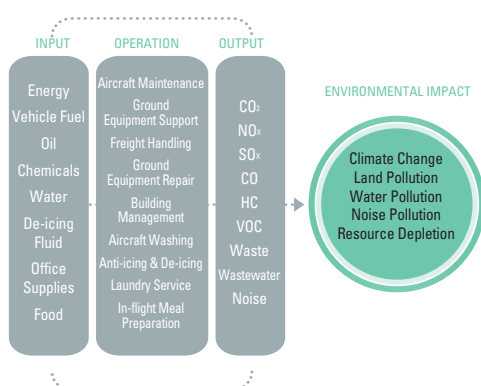
FLIGHT OPERATION (01)



CABIN SERVICE (01)



GROUND OPERATION (02-10)



The demand for air travel is rising by about 4% annually. Under these circumstances, one of the most effective and immediate measures to reduce the aviation industry's environmental impact is to introduce the latest aircraft which are more fuel efficient and emit lower levels of noise pollution. The low noise level of new aircraft will contribute to addressing complaints from residents regarding aircraft noise. In addition to the introduction of advanced aircraft, Korean Air will continue to improve its operating procedures and invest in environmentally-friendly maintenance technologies, to reduce the company's environmental footprint.

| ENVIRONMENTAL IMPACT |

Korean Air's daily business activities inevitably generate environmental impact, in particular, during flight operation and ground support activities.

The main culprits are CO₂ and NO_x emitted from the combustion of fossil fuels and the noise generated from the take-off and landing of aircraft, which affect the environment and the quality of life for those living in the vicinity of airports. Also, in the course of the ground support activities other environmental impacts such as waste, wastewater and chemicals are generated.

| FLIGHT OPERATIONS |

The burning of fossil fuels during flight operations depletes natural resources and produces carbon dioxide which contributes to global warming. The UN's Intergovernmental Panel on Climate Change (IPCC*) estimates that flight operations give rise to about 2% of the total CO₂ emissions produced by human activities. In addition, according to the IPCC, rising demand for air travel will increase the amount of greenhouse gas emissions generated by the airline industry. Noise during take-off and landing is another environmental impact caused by the industry.

Though Korean Air tries to decrease the noise level and minimize any inconvenience to neighborhoods located near airports by introducing the latest aircraft, noise pollution still remains an environmental impact.

* IPCC: See Glossary on Page 80

| CABIN SERVICES |

Korean Air maintains a high level of passenger service with a diverse range of cabin services; however, such efforts contribute to increasing waste levels. Similarly, disposable items used in meal services for passenger convenience and safety contribute to environmental pollution when they are discarded. We will endeavor to reduce the environmental impact caused by cabin service items, while still maintaining the highest quality service for our customers.

| GROUND OPERATIONS |

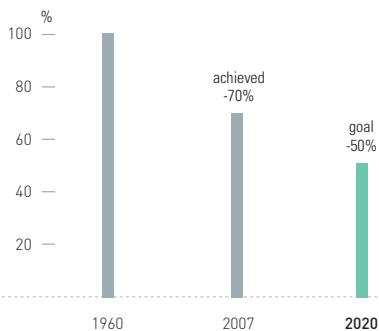
Diverse energy resources and chemicals are used for aircraft maintenance during the process of power supply and fueling. This work produces various wastes such as aircraft engine oil, hydraulic fluid, and wastewater from washing aircraft parts. In addition, ground support vehicles also generate gas emissions, which adversely affect global warming and local air quality.

SUSTAINABLE ENVIRONMENT



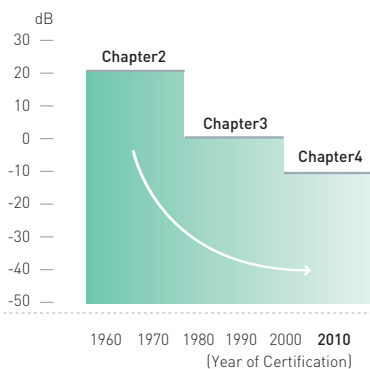
AVIATION INDUSTRY'S EFFORTS FOR SUSTAINABLE DEVELOPMENT

• SUSTAINABLE FUEL EFFICIENCY



Modern aircraft are over 70% more fuel efficient than those designed 40 years ago. Research is underway to achieve an additional 50% improvement in fuel efficiency. (Source: IATA)

• NOISE ABATEMENT



Modern aircraft are over 30EPNdB quieter than the closest comparable aircraft of 40 years ago, which equates to 75% less perceived noise (based on ICAO noise standards). Research is being conducted to achieve an additional 50% cut (10dB) in the noise level by 2020.

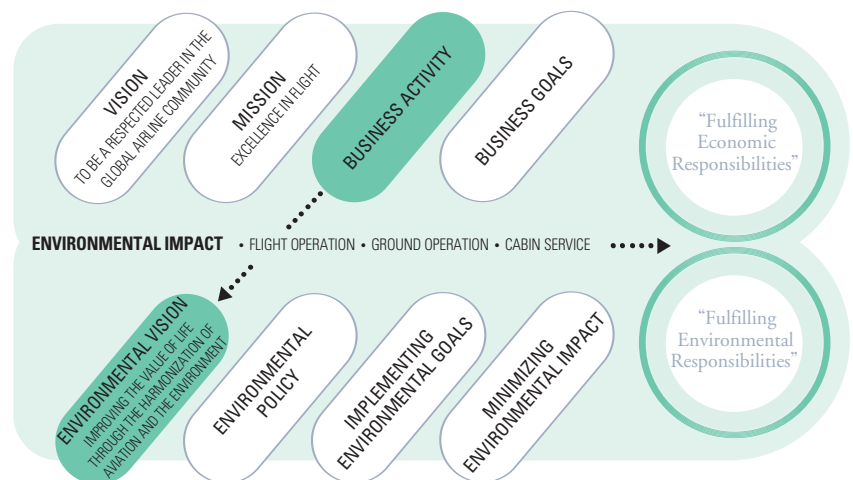
*Chapter, EPNdB: See Glossary on Page 80

| SUSTAINABLE DEVELOPMENT |

Sustainable development means improving the quality of life for both present and future generations through the balanced achievement of environmental, social, and economic goals. Though all of these goals are vital and interdependent, some can inevitably be placed above others in order to find the correct balance between the three. As the airline industry uses fossil fuels which are linked to climate change, and generates noise during the take-off and landing of aircraft, it inevitably causes an impact on the environment. The industry must adopt a balanced approach in order to minimize its impact on the environment, while making a valuable contribution to the sustainable development of the social and economic sectors.

| ENVIRONMENTAL VISION |

Under the vision of "Improving the Value of Life through the Harmonization of Aviation and the Environment," we are strongly committed to fulfilling our social responsibilities for protecting the environment. In an effort to lessen the environmental impact caused by its operations, Korean Air joined global airlines in pursuing business operations that reduce the size of its environmental footprint. As part of this effort, we introduced environmental management procedures and set mid- to long-term goals for environment protection. While protecting the environment, we will strive to promote sustainable growth both in social and economic terms to create a better world for future generations.

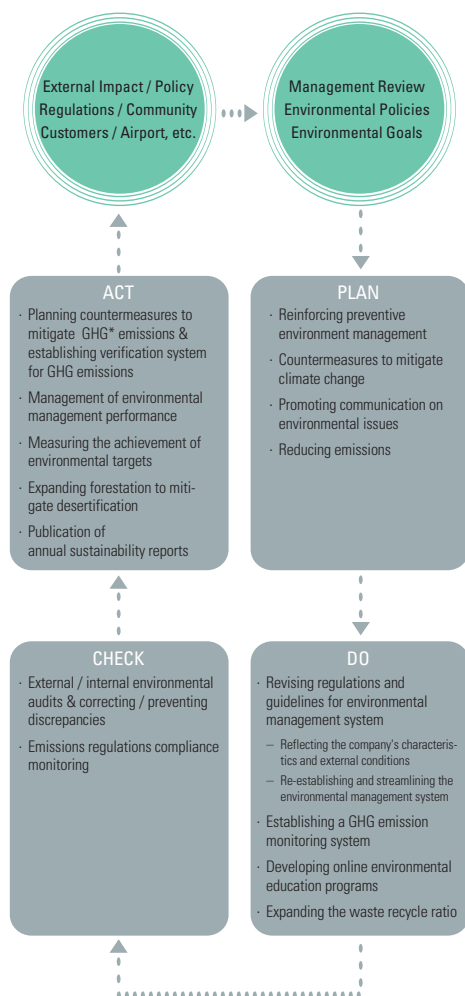


ENVIRONMENTAL MANAGEMENT SYSTEM

Korean Air is committed to fulfilling its corporate responsibilities by establishing an environmental management system.

Korean Air is practicing environmentally-friendly management to fulfill its responsibilities as a corporate citizen. Under a sophisticated environmental management system, annual environment goals and action plans are prepared and conducted accordingly. In addition, internal and external audits regularly monitor whether such plans are successfully implemented. All of these measures form part of Korean Air's efforts to succeed in environmental management.

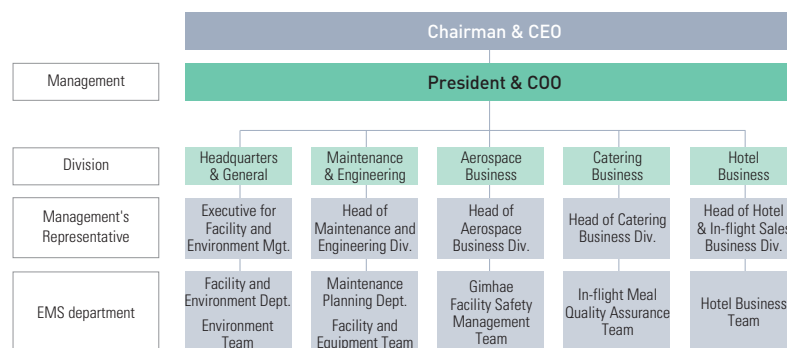
2007 ENVIRONMENTAL MANAGEMENT SYSTEM CYCLE



*GHG: greenhouse gas

GREEN MANAGEMENT PRACTICES

By gaining ISO 14001 certification, the international standard for environment management systems, Korean Air has introduced an enterprise-wide environment management system consisting of five sectors; the Headquarters & General Division, the Aerospace Division, the Maintenance & Engineering Division, the Catering Center and the Hotel Division. To prevent further deterioration of the environment, Korean Air strives to promote the use of environmentally-friendly resources, the recycling of waste and compliance with environmental protection regulations. In addition, Korean Air uses a PDCA cycle to preempt any threats to the environment. Korean Air is also working to establish environmental management policies and procedures for flight operations, cabin services, and ground operations.



2007 MAJOR ENVIRONMENTAL MANAGEMENT ACTIVITIES

Our 2007 environmental impact evaluation report shows that we attained 44 of the 54 environmental targets we set for the company. These goals were achieved as a result of detailed targeting by each working-level department. The external/internal environmental audits uncovered a total of 38 discrepancies, 33 of which have since been corrected. The remaining five cases were issues related to establishing a suppliers' evaluation system, which will be corrected in 2008. A total of 7,637 person-hours of environmental education programs have been conducted according to the characteristics of individual positions and duties. We also established online environmental classes to implement a company-wide environmental education system.

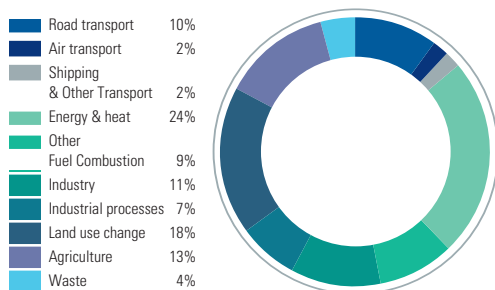
ENVIRONMENTAL RISK MANAGEMENT

Korean Air has put a contingency system in place and implemented related guidelines in all domestic airports to prepare for potential airplane incidents. While placing the highest priority on saving lives, the system also provides an emergency plan to tackle any environmental pollution caused by accidents. Each airport conducts regular environment protection drills involving relevant teams and equipment.

Korean Air minimizes its impact on the environment in a variety of ways including fuel efficiency improvements and fleet modernization.

Although the airline industry's overall contribution to greenhouse gas emissions is relatively small, considering the rapid growth of air transport, Korean Air takes climate change seriously and is committed to minimizing the impact of its operations on the environment while meeting growing demands for air travel. Our dedication to the environment is clearly illustrated by various initiatives such as introducing more fuel-efficient aircraft and improving flight procedures.

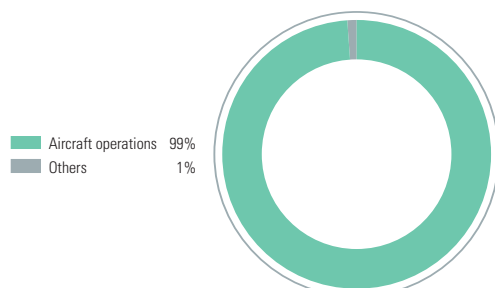
GLOBAL GREEN HOUSE GAS EMISSIONS



Source: AAPA* Annual Report 2007

* AAPA (Association of Asia Pacific Airlines): See Glossary on Page 80

2007 KOREAN AIR CO₂ EMISSIONS



Aircraft operations: 12,271,071 tons
 Vehicle and equipment operations: 19,473 tons
 Energy used by buildings: 98,408 tons

GREENHOUSE GAS EMISSIONS FROM KOREAN AIR AIRCRAFT IN 2007 (Unit: tons)

Gas	CO ₂	CH ₄	N ₂ O	NO _x	CO	NMVC	SO ₂
Amount	12,271,071	44	381	63,868	21,579	8,598	3,642

※ Calculation Formula: IPCC 2006 Guidelines

CLIMATE CHANGE - OUR RESPONSIBILITY TO THE ENVIRONMENT

Though the global air transportation industry has experienced annual growth of 5-6%, carbon dioxide emissions from aircraft have increased by a lesser 3% per year due to industry-wide efforts to limit environmental impact such as fleet modernization and flight operations improvement. Carbon dioxide emissions from flying account for a mere 2% of the total CO₂ emissions from fossil fuels and 13% of the emissions produced by transportation. It is expected, however, that the airline industry will face greater responsibility for climate change with rising air travel volume. (Source: IPCC) Although the aviation industry's overall contribution to greenhouse gas emissions currently comprises a small percentage of total emissions, the industry is taking proactive steps to curtail emissions in order to fulfill its corporate responsibility to the environment.

AIRLINES' ENVIRONMENTAL POLICY ON CLIMATE CHANGE

Technological innovation, namely, developing environmentally-friendly aircraft, engines, alternative fuel and air traffic management (ATM), has played an immense role in reducing emissions and tackling climate change. In fact, due to the industry's ongoing focus on environmentally-friendly technology, aircraft are now 20% more fuel-efficient than a decade ago. The IATA is taking further steps to achieve an additional 25% improvement in fuel efficiency by 2020. Reducing fuel consumption by improving air traffic management and infrastructure and straightening aviation routes is equally important. A relevant IPCC report indicates that improved flight infrastructure will enable us to reduce CO₂ emissions by an additional 12%.

BASIC ENVIRONMENTAL POLICY OF AIRLINES ON CLIMATE CHANGE

TECHNOLOGICAL ADVANCES	AIRPORT/ INFRASTRUCTURE UPGRADES
<ul style="list-style-type: none"> Developing environmentally-friendly aircraft and engines Introducing alternative energy 	<ul style="list-style-type: none"> Shortening flight distance by optimizing routes and traffic Minimizing taxi and ramp delay times by optimizing airport design
OPERATIONAL IMPROVEMENTS	ECONOMIC MEASURES
<ul style="list-style-type: none"> Adopting fuel-efficient aircraft Optimizing flight routes and speed Making ground operations environmentally-friendly 	<ul style="list-style-type: none"> Emissions Trading Scheme
The basic environmental policy of air transport industry on climate change	



32.3%

We reduced our CO₂ emissions by approximately 350,000 ton through fuel saving initiatives in 2007, an improvement of 32.3% year on year.

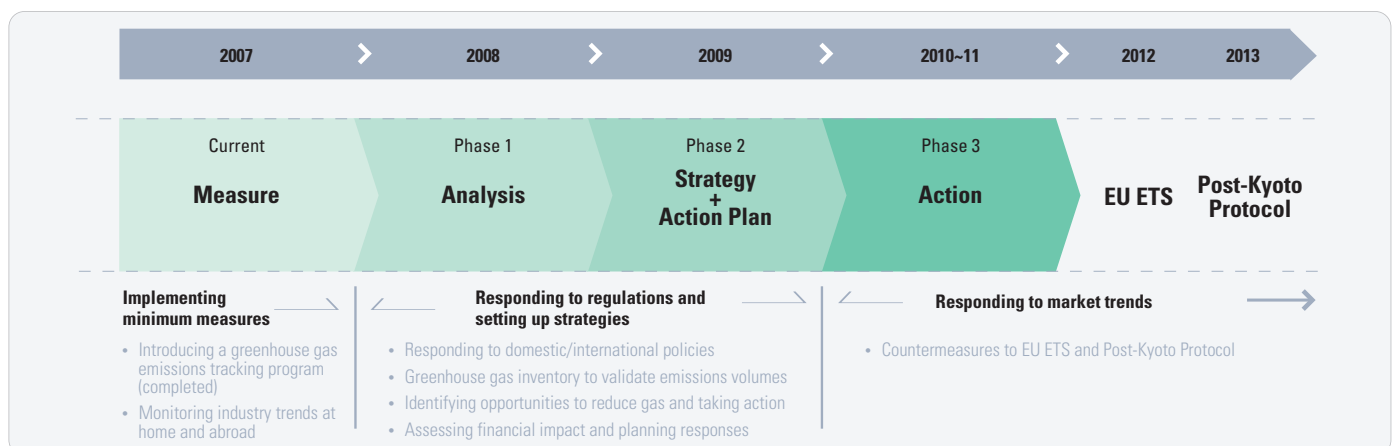
| EU TO INCLUDE AVIATION IN EMISSIONS TRADING SCHEME |

In Dec., 2006, the European Commission presented the Emissions Trading Bill to the EU Parliament. Once it is passed, the emissions trading scheme will be applied to EU airlines and to all airlines flying in and out of Europe from 2012. However, it is worth noting that a greenhouse gas policy should be based on broader international agreement. Single-handed enforcement of Europe's regional policy, without the support of international stakeholders, will only distort competition and discourage airlines' efforts to expand their investment in the environment. The Kyoto Protocol indicates that the airline industry's obligation to abate gas emissions should be reviewed by ICAO. Therefore the emissions trading scheme should be based on global policies and guidelines developed by ICAO.

| KOREAN AIR'S INITIATIVES TO MITIGATE CO₂ EMISSIONS |

Korean Air has been working towards reducing fuel consumption and gas emissions through various measures including fleet modernization, raising load factors, improving maintenance and flight procedures and reducing load weight. However, the rapidly rising demand for air travel may outstrip gains from these measures in terms of emissions reduction. Also, it could take some time for aircraft manufacturers to develop new technology to dramatically reduce gas emissions, while maintaining the current level of safety. With this in mind, Korean Air is taking a long-term approach by fostering a strong and consistent commitment to combating climate change.

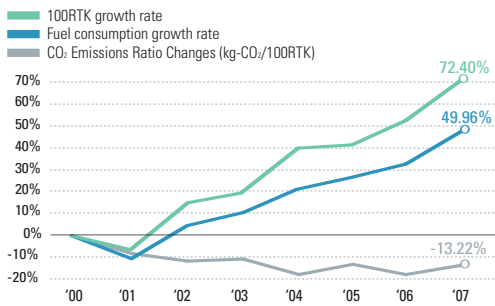
ROADMAP TO TACKLE CLIMATE CHANGE



CLIMATE CHANGE



REDUCTION OF AIRCRAFT CO₂ EMISSIONS RATIO (kg-CO₂/100RTK)



※ 100RTK (100 Revenue ton kilometers):
Transport of one ton load of revenue volume 100km

Liter-Fuel /100RTK & kg-CO₂/100RTK IN LINE WITH FUEL CONSUMPTION GROWTH

Classification	Unit	2005	2006	2007
Fuel consumption	kl	4,236,956	4,455,319	4,825,734
100 Revenue ton kilometers	100RTK	126,561,830	136,627,790	147,826,730
Ratio	Liter-Fuel / 100RTK	33.48	32.61	32.64
CO ₂ Emissions	ton	10,812,104	11,201,027	12,271,071
Ratio	kg-CO ₂ / 100RTK	85.43	81.98	83.01

* LCF (Legal Contingency Fuel)

additional fuel that airlines are legally required to load in case of emergencies. It is the equivalent of 10% of the total fuel required during the flight from take-off to landing. However, airlines with flexible fuel policies and strong ground monitoring systems are granted an exception to this policy via the so called "5% Rule." This rule allows airlines to load additional fuel that is equivalent to only 5% of total flight hours, instead of 10%.

* CCF (Company Contingency Fuel)

Korean Air's own contingency fuel loading requirement. This is based on statistical fuel usage data according to route and aircraft type. While this is only an internal policy, it prevents Korean Air from loading excessive fuel by identifying optimal fuel levels based on previous data and applying the result of this analysis in a flexible manner.

* FCR (Fuel Correction Rate)

% of fuel level that has been corrected based on aircraft performance analysis according to flight history and actual fuel consumption. This rate is used to determine the fuel loading level.

REDUCING THE RATIO OF AIRCRAFT CO₂ EMISSIONS (kg-CO₂/100RTK)

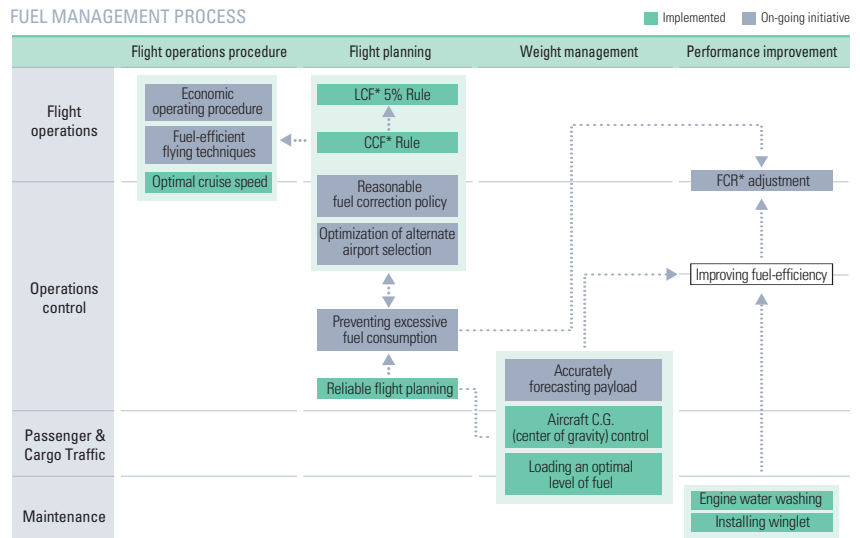
Despite a growing demand for air travel, Korean Air has been successfully reducing CO₂ emissions through improved fuel efficiency, proving that CO₂ emissions do not increase in direct proportion to rises in transport volume. For example, while RTK (revenue ton kilometers) increased by 72% in 2007 compared to 2000, fuel consumption only rose by 50%, which indicates that growth of 22% was made without environment impact. Our ongoing efforts to raise fuel efficiency and load factors have allowed us to stabilize the unit price growth rate (kg-CO₂/100RTK) at -13%.

EFFICIENT FUEL MANAGEMENT TO TACKLE CLIMATE CHANGE

Korean Air aims to streamline its fuel management process. Notable achievements include establishing the Fuel Management Team in July, 2004 and integrating and re-aligning cross-divisional fuel management processes. These measures, which aimed at not only saving fuel, but also preventing climate change, enabled us to reduce our greenhouse gas emissions by 350,000 tons or 32.3% in 2007 compared to the previous year.

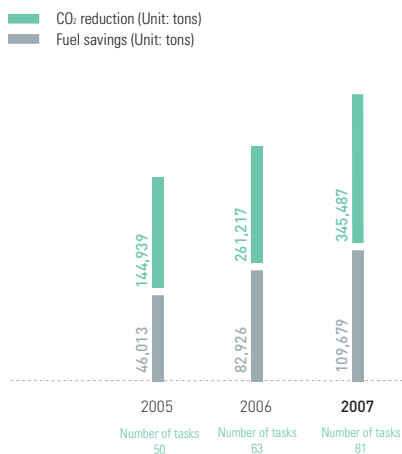
Korean Air's fuel management focuses on assessing and improving the overall fuel management process involving four elements, namely, flight operations procedures, flight planning, weight management and aircraft performance improvement. Company-wide endeavors to refine existing fuel operating procedures, spanning across flight operations, operations control, maintenance and passenger & cargo traffic sectors led to a significant improvement in fuel management.

FUEL MANAGEMENT PROCESS





ANNUAL TREND OF FUEL SAVINGS AND GREENHOUSE GAS REDUCTION



MEASURES TO CONSERVE FUEL AND REDUCE GREENHOUSE GAS EMISSIONS

Reducing flight hours by selecting optimal routes

- Using optimal airports for fuel reloading and leveraging efficient routes
- Periodically reviewing flight routes to improve fuel-saving
- Selecting an optimal altitude for domestic flights
- Applying an optimal altitude according to load weight and weather data

Reducing load weight

- Loading in-flight potable water based on reservation rates and flight hours
- Sharing spare parts for maintenance at overseas airports
- Using light ULDs (unit load devices) to reduce load weight



Improving aircraft and engine performance

- Remodeling long-haul aircraft engines for performance improvement
- Periodically washing engines with water
- Enhancing aircraft fuel-efficiency by installing B737 Winglets

Using optimal speed and flight conditions to save fuel

- Requiring 4-engine aircraft to use only 3 engines while taxiing to reduce fuel consumption and noise levels
- Optimizing the center of gravity of aircraft to improve efficiency
- Tailoring fuel requirements to passenger reservation rates and load factors
- Leveraging highly efficient ground equipment for fuel saving and noise abatement

• Fuel-conservation training for pilots

As pilots' flight skills and techniques also affect aircraft fuel consumption levels, we provide ongoing pilot training on flight techniques to make flying more fuel-efficient.

• Flight Planning

Loading an optimal amount of fuel is a key element of our fuel conservation policy. In an attempt to define the optimal fuel level, we adopted the Company Contingency Rule, a flexible fuel policy which incorporates statistical fuel consumption data according to route and aircraft model and also strengthened ground controls for flights. Driven by these achievements, in 2007, Korean Air became the first airline in Korea to obtain government endorsement and implemented the 5% requirement set out in the Legal Contingency Fuel Scheme. We also have been improving excessive reserve fuel loading problems through sustained efforts to secure the nearest alternate airport for flights.

• Aircraft Weight & Balance Management

Fuel consumption in flight is affected by not only the weight of the aircraft itself but also the weight of in-flight meals, magazines, amenities and maintenance equipment. Korean Air controls the weight of aircraft in order to minimize the load by cutting down on unnecessary weight and preventing excessive fuel loading and pursues various weight-control measures. Furthermore, an additional center of gravity in the tail section of the aircraft increases aircraft lift. Therefore, optimal weight allocation is critical for fuel saving.

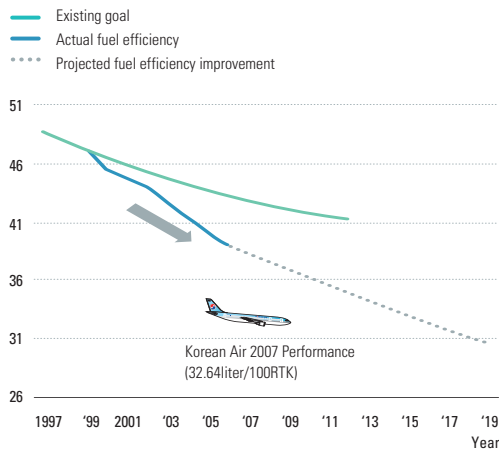
• Aircraft performance enhancement

We have improved aircraft performance by adopting various procedures such as the periodic Engine Water Washing Program and installing winglets on B737 aircraft.

CLIMATE CHANGE



IATA ANNUAL PERFORMANCE AND GOAL FOR HIGHER FUEL EFFICIENCY



FUEL DUMPS

	Number of dumps	Volume of dumps (tons)
2005	1	9
2006	4	162
2007	3	119

IATA REVIEW RESULT

60 other carriers	Korean Air
Room for improvement: 2~15%	Room for improvement: 1.8%*

* 1.8%: based on fuel consumption in 2006

IATA'S GOALS FOR FUEL EFFICIENCY IMPROVEMENT

The International Air Transport Association (IATA) has set a target of achieving a 10% improvement in fuel efficiency from 2000 to 2010 by advancing aircraft technology and flight procedures. In fact, IATA members used only 39.4 liters per 100RTK (Revenue Ton Kilometers) in 2006, compared to 45 liters in 2000, recording a fuel efficiency improvement of 12.4%. It is notable that Korean Air consumed only 32.64 liters per 100RTK in 2007, which is 17% more fuel efficient than the IATA average.

SHORTENING FLIGHT ROUTES

Korean Air has shortened flight routes in order to save fuel and reduce greenhouse gas emissions. For instance, we are currently saving about 2,800 tons of fuel annually after implementing a shorter route for our Hong Kong flights in 2004 and saving about 1,200 tons of fuel per year through operating shorter routes to and from Japan. This amounts to a reduction of 13,000 tons of CO₂, a significant contribution to preventing climate change.

FUEL DUMPS

Aircraft should land with less weight than the maximum permitted weight to control aircraft shock upon landing. If an aircraft lands at its destination on time, it usually weighs less than the permitted weight because it has already consumed most of its fuel. However, if an aircraft returns to its departure airport or any airport other than its original destination due to unforeseen circumstances such as mechanical problems or passenger health issues, it has to dump a certain amount of fuel to meet weight requirements. Airlines are required to dump fuel at an altitude as far away from airports as possible. Korean Air made three returns in 2007, discharging a total of 119 tons of fuel.

IATA REVIEW ON KOREAN AIR'S FUEL MANAGEMENT

In order to validate the outcome of our fuel management efforts and identify room for further improvement, the IATA reviewed our fuel management process. While the review confirmed that we have made an excellent effort to improve fuel management, we still need to make improvements in some areas such as flight procedures and planning.

Korean Air has mitigated aircraft noise by acquiring quieter aircraft which comply with applicable criteria and by strictly following noise abatement procedures.

Noise produced by aircraft on take-off and landing can have a major environmental and social impact on the quality of life of people living near airports. Though technological progress has led to a significant reduction in aircraft noise, addressing the grievances of local residents still remains a pressing issue because an increasing number of communities are being created in the vicinity of airports and people are vigorously protecting their right to live in a quieter environment. It is virtually impossible to eliminate aircraft noise at the source, but this noise can be substantially alleviated through joint efforts by airlines and authorities. Korean Air has made consistent efforts to control noise levels.

ICAO NOISE REDUCTION POLICIES

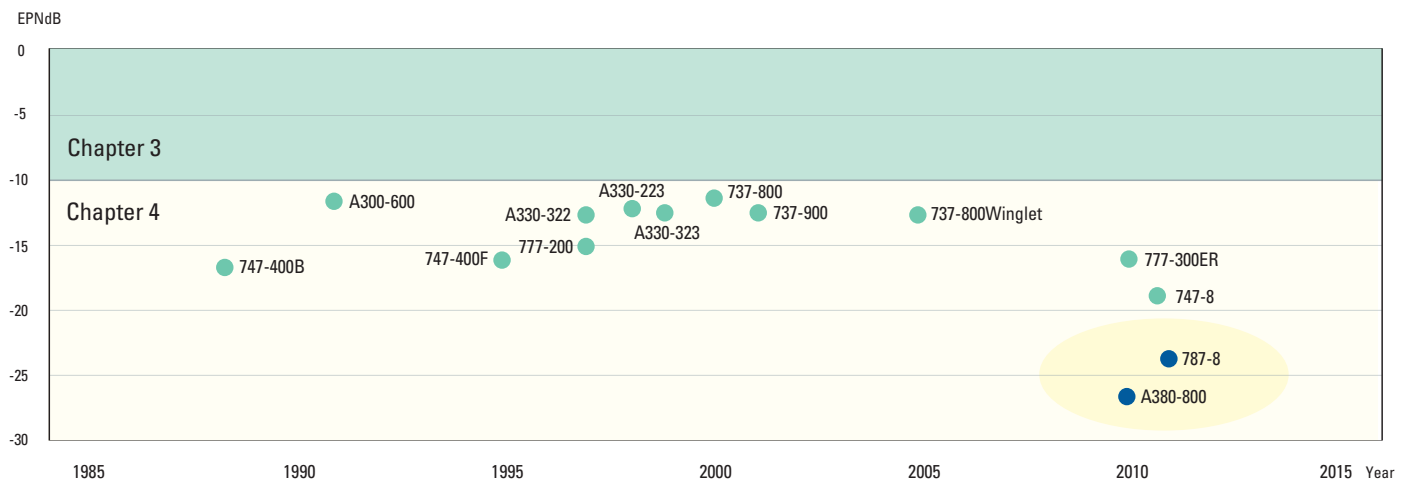
The International Civil Aviation Organization (ICAO) first introduced noise regulations in 1969 and these have been consistently reinforced. All commercial jets in operation today are required to meet Chapter 3* standards, while airplanes introduced after January 2006 need to conform to Chapter 4* standards that stipulate a further 10EPNdB reduction from Chapter 3. All of Korean Air's 126 airplanes, including those acquired before 2006, are successfully fulfilling the Chapter 4 standards.

Aircraft Noise Measurement Points

Aircraft engines are required to conform to noise regulations specified in Chapter 2, 3, 4, and 5 of ICAO Annex 16. Accordingly, all aircraft receiving certifications from 2006 will be applied by the Chapter 4, which requires 10dB lower level of noise than Chapter 3. The noise level is decided by combining the figures from three measurement points: 6,500m from the start of the take-off roll, measured along the extended runway centerline; 450m from the centerline of the runway and; 120m vertically and 2,000m ahead of the runway threshold at ground level.

* Chapter 3, 4: See Glossary on page 80

NOISE LEVEL OF KOREAN AIR AIRCRAFT



※ Currently, 100% of Korean Air aircraft meet the Chapter 4 standard. The B787 and A380 aircraft that Korean Air will introduce in the future have reduced noise emissions by a further 10EPNdB compared to current airplanes.

NOISE CONTROL



BASIC RULES FOR MINIMIZING NOISE POLLUTION

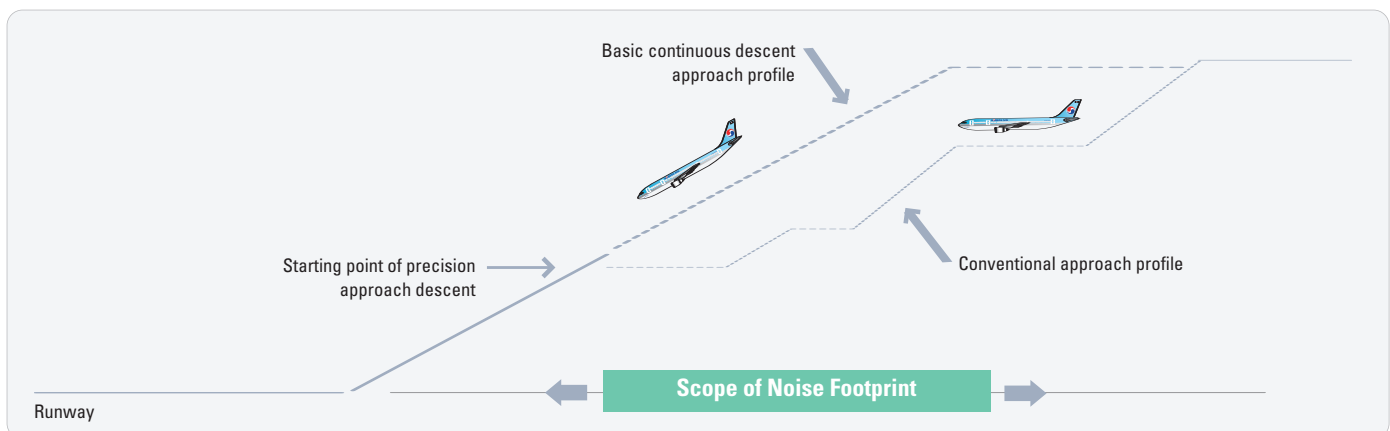
- 01 Introducing the latest, quietest aircraft
- 02 Strictly abiding by operational procedures

NOISE REGULATION BREACHES AT GIMPO AIRPORT

	2004	2005	2006	2007
Number of flights	106,612	62,849	54,219	49,717
Number of breaches	131	34	26	12
Ratio	0.12%	0.05%	0.05%	0.02%

※ Gimpo Airport considers that an airplane has breached noise regulations when it generates noise of 87-96dB higher than the standard set for a given measurement point. In 2007, 12 out of 49,717 flights were classified as "noisy." This figure, however, has declined significantly over the past 4 years.

CDA (CONTINUOUS DESCENT APPROACH)



※ Korean Air, Seoul Regional Aviation Administration, the Association of Asia-Pacific Airlines (AAPA), and Airbus jointly launched a CDA trial. Korean Air's A300-600 fleet is participating in this project.

IMPROVEMENT OF NOISE ABATEMENT PROCEDURES

Korean Air practices noise mitigation procedures during take-off and landing according to its guidelines on operational procedures for each fleet. In particular, it adopted the Continuous Descent Approach (CDA) recommended by ICAO on a trial basis at Gimpo Airport in November 2007. The conventional method of approach is akin to descending a flight of stairs with the plane repeatedly reducing its height and leveling out. CDA, however, is a descent method using a continuous and smooth glide path. The benefits of CDA include significant reductions in noise, fuel burn and gas emissions.

LOCAL REGULATIONS ON AIRCRAFT NOISE

Korea's aviation enforcement regulation act has six grades of noise level, which subdivide the Chapter 2, 3 and 4 in the ICAO Annex 16. All Korean Air airplanes, without exception, are categorized as belonging to the quietest 6th grade.

NOISE CHARGES

Advances in aircraft manufacturing and operational procedures led to a significant reduction in aircraft noise. However, a growing demand for air travel and an increasing number of people living in close proximity to airports means that more needs to be done to address aircraft noise emissions. In that sense, most airports located around major cities impose noise charges to raise funds for their noise mitigation efforts. The rates vary according to the maximum take-off weight of aircraft. Korean Air paid about KRW 3.3 billion for noise charges in 2007.

100%

All Korean Air's aircraft meet the requirements for noise emissions stipulated by the newly reinforced ICAO Chapter 4 in 2007.

NOISE CHARGE (Unit: KRW in millions)

	2005	2006	2007
Domestic	1,718	1,769	1,851
International	1,862	1,701	1,497
Total	3,580	3,470	3,348

※ Noise charge payments to local airports increased as Yeosu and Ulsan airports began levying the charge in December 2006.

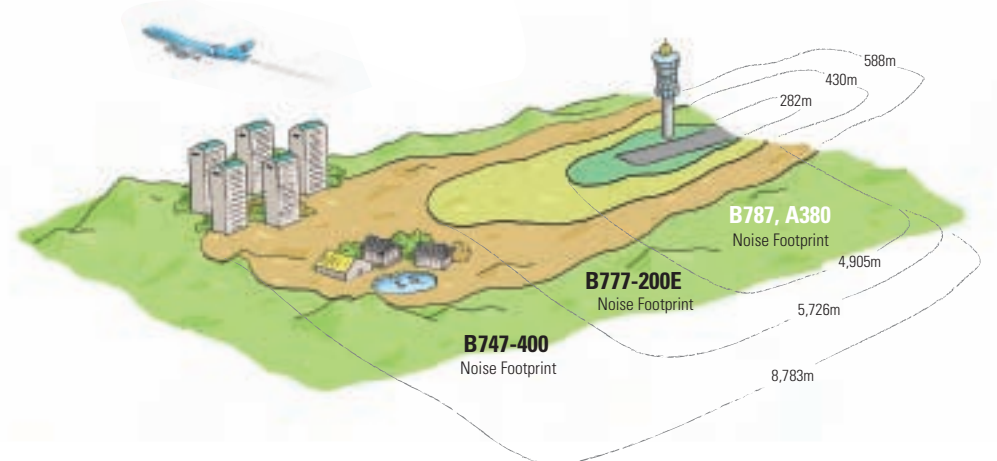
NOISE FOOTPRINT

Noise footprint refers to the contoured area on the ground beneath an aircraft affected by constant noise generated during take-off and landing. Progress in engine and aerodynamics technology has considerably reduced the size of this area. For example, when a B747-400 airplane takes off, the resulting noise footprint reaches 8.8km from starting point of the runway. However, the B787, which Korean Air plans to operate from 2009, is expected to reduce the scope of this footprint by 40 % to 4.9km. In addition, the A380, which will be introduced from 2010, will reduce the scope of the footprint by at least 37%, while carrying 40% more passengers during one flight.

JOINT EFFORTS WITH AUTHORITIES

Addressing airport noise issues requires more than just an airline's commitment to adopting state-of-the-art aircraft and adhering to noise abatement operational procedures. Heavy investment in aircraft technology means that today's airplanes are 75% quieter than those in operation 40 years ago. The expansion of residential areas surrounding airports, however, has offset the progress made in aircraft development. Therefore, proper zoning plans and measures, along with regulations to curb the unrestricted growth of urban areas should be implemented by local authorities.

FOOTPRINT OF NEW AIRCRAFT



※ The B787 and A380 airplanes—to be phased in consecutively by Korean Air from 2009—have a 40% smaller noise footprint than the B747 aircraft.

Korean Air is working to prevent air pollution in order to create a pleasant environment and improve the quality of life for local communities.

Korean Air has made constant strides to reduce gas emissions in order to preserve the environment and to secure a high quality of life for local neighborhoods. To that effect, low pollution engines are one of the key criteria that Korean Air applies when choosing new aircraft. Korean Air has also sharply decreased emissions from ground activities and ground support vehicles. Moreover, monitoring facilities are installed in all operating areas to control air pollution and provide a healthy workplace environment.

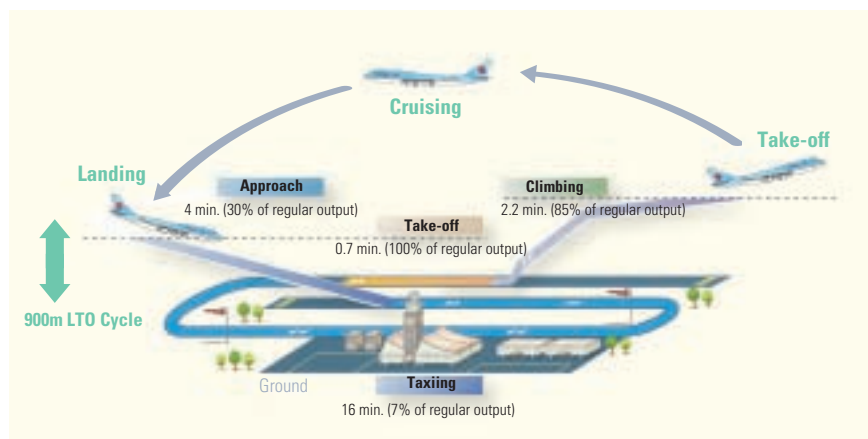
| LTO EMISSIONS |

LTO emissions are defined as NO_x, HC, CO, and other gases emitted during a LTO cycle that consists of four operational phases—take-off, climb, approach and taxi within a height of 900m. Technological advances in aircraft engines have cut CO and HC emissions by 50% and 90%, respectively, over the last four decades. More improvements are expected as aircraft manufacturers aim to reduce NO_x emissions by more than 80% by 2020.

| ICAO REGULATIONS |

The permitted level of NO_x, HC and CO emissions from aircraft engines, which has become increasingly stringent, is set by the Committee on Aviation Environmental Protection (CAEP) of the ICAO. Restrictions on NO_x emissions for newly certified engines were strengthened when the ICAO adopted a new standard to reduce the permitted level by 12%. The main source of NO_x emissions is from the combustion of fuel subject to high pressure and temperature during LTO cycles. NO_x leads to the formation of acid rain and smog as well as adversely affecting the ozone layer. As high temperature and pressure technologies are increasingly deployed in the latest engines to reduce fuel consumption and CO₂ emissions, NO_x emissions have increased. Therefore, striking an ideal balance between these two issues has been the subject of recent debate.

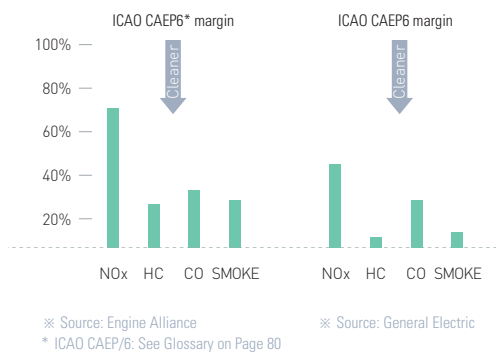
THE LTO CYCLE OF AN AIRCRAFT



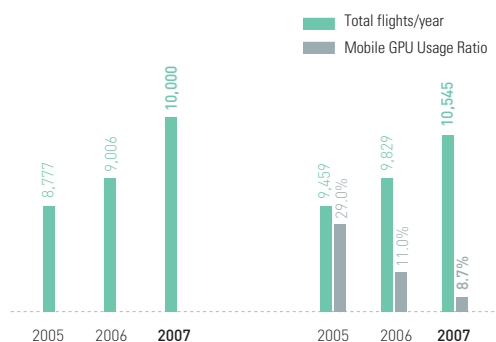


(A380) GP7000 SERIES ENGINE

(B787) GENx ENGINE

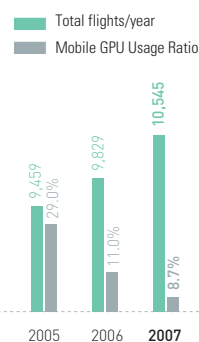


LTO NOx EMISSION
(Unit: tons)



* GPUs use fossil fuels, which makes them more environmentally-friendly than APUs, however, these units produce gas emissions and noise. For this reason, Korean Air utilizes fixed GPUs more frequently than mobile GPUs.

USE OF MOBILE GPUs* AT
INCHEON AIRPORT CARGO
TERMINALS



ENVIRONMENTAL SUSTAINABILITY OF ENGINES

Korean Air not only complies with internationally accepted environmental standards when choosing new aircraft and engine, but also takes into account possible changes to those standards in the future. The A380 and B787 fleets which will be introduced after 2008 generate fewer emissions than any other aircraft currently in operation.

GROUND EMISSIONS

Ground emissions are caused by aircraft taxiing, engine testing, and auxiliary power units (APUs*) that supply aircraft on the ground with necessary power and cabin air conditioning. Ground support vehicles and equipment also generate gas emissions. Whenever possible, Korean Air uses fixed & mobile Ground Power Units (GPUs*) for its power supply instead of APUs, as GPUs are more fuel efficient and produce less gas emissions. GPUs are also quieter to operate. Particularly at Incheon International Airport, Korean Air uses power units embedded in boarding ramps to supply power and cabin air conditioning. At the Incheon Airport Cargo Terminals, we use self-developed fixed GPUs to reduce gas emissions.

However, to ensure an overall improvement in the air quality surrounding airports, further efforts are required. For example, an increased number of energy-efficient vehicles and facilities could be used, and airport authorities could shorten the distance to and from parking stands.

* APU, GPU: See Glossary on page 80

EMISSIONS AT MAINTENANCE BASES

At maintenance bases, the biggest source of offensive odors and air pollutants such as dust, NOx, and SOx, is maintenance work. Korean Air has 106 pollution prevention facilities to keep the level of contaminants below 50% of the legal limit.

2007 VEHICLE FUEL USE & CO₂ EMISSIONS

Type	Oil	Amount	GHG* Emissions (tons)
Support Vehicle	Diesel	5,176	14,212
	Gasoline	270	643
Support Equipment	Diesel	1,638	4,497
	Gasoline	51	121

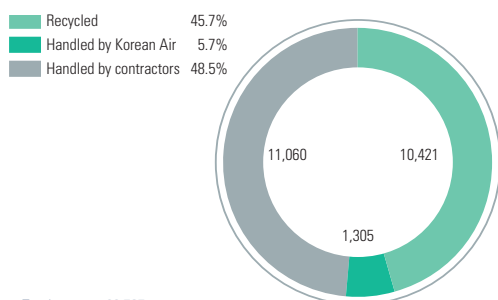
* GHG: greenhouse gas

OTHER ENVIRONMENTAL ACTIVITIES

Korean Air is committed to global environmental preservation by initiating a wide range of activities befitting each type of waste and emission.

Korean Air practices active waste management activities for the disposal of wastes, chemical materials, and wastewater to prevent the land, water and air from being contaminated. The goal of these activities, based on Korean Air's meticulous environmental management system, is to minimize environmental impacts on local communities and to protect the environment. Korean Air has spearheaded initiatives and campaigns for energy and resource conservation thus saving costs and protecting the environment.

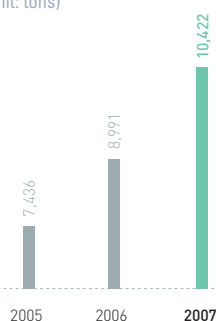
WASTE MANAGEMENT PRACTICES IN 2007 (Unit: tons)



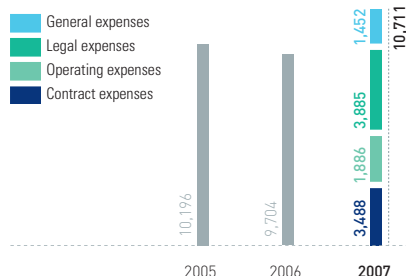
※Total amount: 22,787 tons

※Due to an increase in passenger numbers, waste generation in 2007 rose 10.7% or 2,435 tons from the previous year. Approximately 1,430 tons of this waste was recycled.

RECYCLED WASTE (Unit: tons)



2007 ENVIRONMENTAL EXPENSES
(Unit: KRW in millions)



| WASTE |

A wide range of waste is generated during aircraft maintenance and operations. The waste can be classified into general waste, which is mostly generated from cabin services, and industrial waste such as waste oil and solvents from aircraft maintenance activities. Catering waste is subject to incineration for sanitary reasons while paper, wood, cans, and plastic containers are recycled. In 2007, Korean Air generated a total of 22,787 tons of waste and recycled 45%, or 10,421 tons.

| WASTE MANAGEMENT PLAN 2008 |

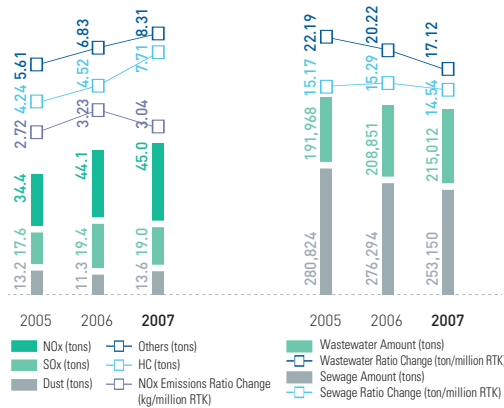
Korean Air set a goal of increasing its recycling rate by 2% or 456 tons in 2008. To make this goal a reality, we will develop plans to increase the recycling of waste which has previously been incinerated or land filled. We are also working on a waste management process map for 41 areas across the country to systematically manage waste generation, storage and disposal.

| HAZARDOUS CHEMICALS |

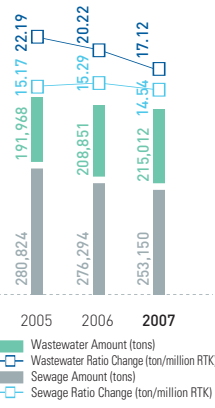
Korean Air uses chemical products recommended by aircraft manufacturers and is increasingly turning to environmentally-friendly products through close consultations with aircraft manufacturers. As many as 1,000 chemical products are currently used for aircraft maintenance, and the inventory and usage information of these products is managed by the Korean Air Chemical Management System (KCMS).



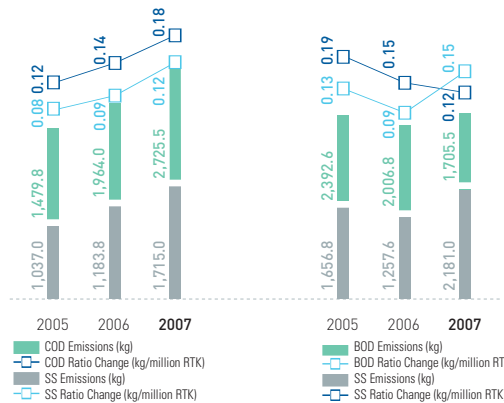
LOCAL AIR POLLUTANT EMISSIONS



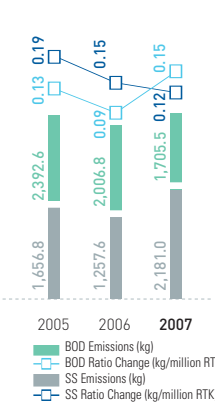
WASTEWATER & SEWAGE EMISSIONS



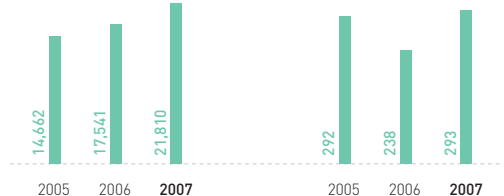
WASTEWATER POLLUTANTS



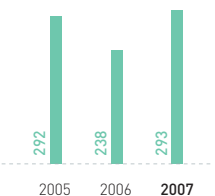
SEWAGE POLLUTANTS



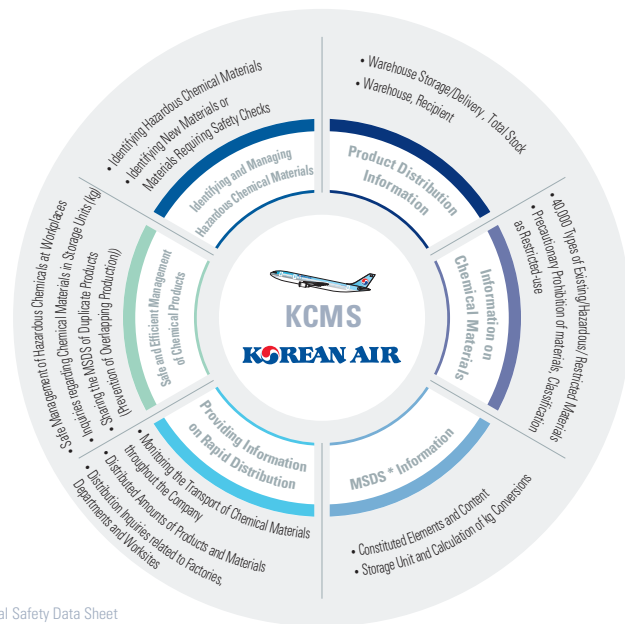
WASTEWATER RECLAMATION USAGE (Unit: tons)



DE-ICING & ANTI-ICING FLUID USAGE (Unit: kl)



KOREAN AIR CHEMICAL MANAGEMENT SYSTEM (KCMS)



* MSDS: Material Safety Data Sheet

RESOURCE USE IN 2007

Type	Unit	2005	2006	2007
Electricity	kwh	115,816,818	123,036,180	132,191,153
Water	ton	932,231	975,502	1,002,497
Ground Water	ton	529,593	522,293	548,713
Wastewater Reclamation	ton	31,606	28,414	39,143
Hot Water	mwh	10,620	11,288	10,245
LNG	m³	4,445,488	4,200,783	4,331,716
B-B oil	liter	408,808	433,930	360,731
B-C oil	liter	5,781,298	7,327,208	7,565,487
Diesel	liter	12,387	13,983	15,991
Heating Oil	liter	1,038,399	1,013,279	961,932
By-product Fuel	liter	755,924	639,513	669,540
LPG	m³	71,609	68,436	6,493



Along with passengers and cargo,
Korean Air has brought **delight to**
people and their **families**.
Our **responsibilities** resume at the very moment
our customers arrive at their destination.
Through **excellent** service, safe flights,
sincere fulfillment of responsibilities
and outstanding **performances**,
Korean Air builds upon the **trusting** relationship
it enjoys with its **stakeholders**.



APPENDIX



DELIGHT DELIVERING

GRI GUIDELINE INDEX

GLOSSARY

AWARDS

GRI GUIDELINE INDEX

GRI	INDICATORS	REMARKS	PAGE
STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization	CEO's Message	7
1.2	Description of key impacts, risks, and opportunities.	Business Environment / Risk	14-15
ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	Company Profile	9
2.2	Primary brands, products, and/or services.	Business Profile	10-12
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Company Profile, Organization Chart	8-9, 23
2.4	Location of organization's headquarters.	Company Profile	9
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.	2007 Overseas Network Sustainable Activities	20-21
2.6	Nature of ownership and legal form.	Company Profile	9
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Business Profile, 2007 Overseas Network Sustainable Activities	10-12, 20-21
2.8	Scale of the reporting organization.	Company Profile	8-9
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Company Profile	8-9
2.10	Awards received in the reporting period.	Awards	81
REPORT PARAMETERS			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Contact Point	Front Cover
3.2	Date of most recent previous report (if any).	The Publication of the Report	82
3.3	Reporting cycle (annual, biennial, etc.)	The Publication of the Report	82
3.4	Contact point for questions regarding the report or its contents.	Business Environment / Risk	Back Cover
3.5	Process for defining report content.	Contact Point	Front Cover
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Contact Point	Front Cover
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Contact Point	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.	Company Profile	8-9
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. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Calculation formula for Greenhouse Gas Emissions from Korean Air Aircraft in 2007, About the 2008 Korean Air Sustainability Report	62, 82
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Not Applicable	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Characteristics of the Report	Front Cover
3.12	Table identifying the location of the Standard Disclosures in the report.	GRI Guideline Index	76
3.13	Policy and current practice with regard to seeking external assurance for the report.	Improvements in the Report	82
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance / Risk Management, Board of Directors	22-23
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance / Risk Management, Board of Directors	22-23
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance / Risk Management, Board of Directors	22-23
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance / Risk Management, Board of Directors	22-23

GRI	INDICATORS	REMARKS	PAGE
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).	Corporate Governance / Risk Management, Board of Directors	22-23
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance / Risk Management	22
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Corporate Governance / Risk Management, Board of Directors	22-23
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.	Company Profile, Ethical & Transparent Management, Environmental Vision	8, 24-25, 60
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.	Corporate Governance / Risk Management	22
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance / Risk Management	22
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Business Environment / Risk	14-15
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	UN Global Compact	2
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	UN Global Compact	2
4.14	List of stakeholder groups engaged by the organization.	Communication with Stakeholders	17
4.15	Basis for identification and selection of stakeholders with whom to engage.	Business Environment / Risk	82
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Feedback from Stakeholders	82
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Feedback from Stakeholders	82
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, including through its reporting.	Communication with Stakeholders	17
ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Revenue Distribution by Stakeholder Group	30-31
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Business Environment / Risk, Climate Change	14, 62-66
EC3	Coverage of the organization's defined benefit plan obligations.	Compensation and Welfare	46
EC4	Significant financial assistance received from government.	No Data Currently Available	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Compensation and Welfare	46
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Business Partners	49-50
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Hiring Overseas Human Resources	42-43
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Revenue Distribution by Stakeholder Group, Community	30, 51-55
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Economic Responsibility, 2007 Economic Performance, Revenue Distribution by Stakeholder Group	16, 28-29, 30-31
ENVIRONMENTAL			
EN1	Materials used by weight or volume.	Resource Use in 2007	73
EN2	Percentage of materials used that are recycled input materials.	Resource Use in 2007	73
EN3	Direct energy consumption by primary energy source.	Resource Use in 2007	73
EN4	Indirect energy consumption by primary source.	Resource Use in 2007	73
EN5	Energy saved due to conservation and efficiency improvements.	Climate Change	62-66
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy	Climate Change	62-66

GRI GUIDELINE INDEX

GRI	INDICATORS	REMARKS	PAGE
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Resource Use in 2007	73
EN8	Total water withdrawal by source.	Resource Use in 2007	73
EN9	Water sources significantly affected by withdrawal of water.	Resource Use in 2007	73
EN10	Percentage and total volume of water recycled and reused.	Other Environmental Activities	72-73
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not Applicable	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not Currently Available	
EN13	Habitats protected or restored.	Not Applicable	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not Currently Available	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not Applicable	
EN16	Total direct and indirect greenhouse gas emissions by weight.	Climate Change	62-66
EN17	Other relevant indirect greenhouse gas emissions by weight.	Climate Change	62-66
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Climate Change	62-66
EN19	Emissions of ozone-depleting substances by weight.	Climate Change	62-66
EN20	NOx, SOx, and other significant air emissions by type and weight.	LTO NOx Emissions, Emissions at Maintenance Bases, Local Air Pollutant Emissions	71, 73
EN21	Total water discharge by quality and destination.	Wastewater & Sewage Emissions, Local Air Pollutant Emissions	73
EN22	Total weight of waste by type and disposal method.	Waste, Waste Management Plan 2008	72
EN23	Total number and volume of significant spills.	None	
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.	None	
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.	None	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fleet Modernization, Environmental Value & Responsibilities	32-33, 58-73
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not Applicable	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Climate Change	62-66
EN30	Total environmental protection expenditures and investments by type.	Noise Charge, Environmental Expenses	68-69, 72
LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region.	2007 Overseas Network Sustainable Activities, Status of Employees	20-21, 42
LA2	Total number and rate of employee turnover by age group, gender, and region.	Status of Employees	42
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Compensation and Welfare	46
LA4	Percentage of employees covered by collective bargaining agreements.	Cooperative Labor-Management Relation	45
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Cooperative Labor-Management Relation	45
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Cooperative Labor-Management Relation	45
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Industrial Safety	48
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Health	47
LA9	Health and safety topics covered in formal agreements with trade unions.	Health, Industrial Safety	47, 48
LA10	Average hours of training per year per employee by employee category.	Key Social Data, Education Records	16, 45
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Cultivation of Talented People	44

GRI	INDICATORS	REMARKS	PAGE
LA12	Percentage of employees receiving regular performance and career development reviews.	Personnel Management System	43-44
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Corporate Governance / Risk Management, Board of Directors, Status of Employees	22-23, 42-43
LA14	Ratio of basic salary of men to women by employee category.	Wages and Incentives	46
HUMAN RIGHTS			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not Applicable	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Not Applicable	
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.	Human Rights Advocacy	43
HR4	Total number of incidents of discrimination and actions taken.	None	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Cooperative Labor-Management Relation	45
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Hiring Overseas Human Resources, Prohibition of Child and Forced Labor	42-43
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	Hiring Overseas Human Resources, Prohibition of Child and Forced Labor	42-43
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Security for Customers, Customer Rights	37, 38
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	None	
SOCIETY			
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Community	51-55
S02	Percentage and total number of business units analyzed for risks related to corruption.	Ethical & Transparent Management	24-25
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Ethical & Transparent Management	24-25
S04	Actions taken in response to incidents of corruption.	Ethical & Transparent Management	24-25
S05	Public policy positions and participation in public policy development and lobbying.	No Data Currently Available	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	No Data Currently Available	
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	No Data Currently Available	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No Data Currently Available	
PRODUCT RESPONSIBILITY			
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.	Customers	36-41
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.	Customers	36-41
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Customers	36-41
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Business Environment / Risk	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Business Environment / Risk	38-40
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Business Environment / Risk	36-41
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.	None	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Customer Rights	38
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None	

GLOSSARY / AWARDS

GLOSSARY

AAPA (Association of Asia Pacific Airlines)

AAPA was established in 1966 in order to promote the development and safety of airlines based in the Asia-Pacific region. Headquartered in Manila, Philippines, AAPA represents regional airliners and serves as a forum to resolve issues between airliners and local governments, aircraft manufacturers, airports and other international bodies. The organization has currently 17 member airlines. (<http://www.aapairlines.org>)

AFTK (Available Freight Ton Kilometer)

The total weight capacity available in tons multiplied by the distance traveled. One ton kilometer refers to one ton of passengers or cargo transported one kilometer.

APU (Auxiliary Power Unit)

An APU is a device mounted on an aircraft to provide energy for functions other than propulsion.

ASK (Available Seat Kilometer)

The total number of seats available multiplied by the distance traveled. This is a measure of an airline's transportation power. When one seat flies one kilometer, it is one ASK

CAEP (Committee on Aviation Environmental Protection)

The ICAO's current environmental activities are largely undertaken through the Committee on Aviation Environmental Protection (CAEP), which was established by the Council in 1983. CAEP assists the Council in formulating policies and adopting new standards for aircraft noise and aircraft engine emissions.

CAEP/6

The sixth CAEP conference of the ICAO held in 2004 lowered the NOx emission limits by 12% for new engine types approved after 2008.

Emissions Trading Scheme

A market-based approach to achieving environmental objectives that allows those reducing greenhouse gas emissions to below what is required under the Kyoto Protocol to use or trade the excess reductions to offset emissions at another sources inside or outside the country.

EPNdB (Effective Perceived Noise Decibels)

A unit commonly used in aviation to express the average perceived noise level.

Fuel Hedging

Fuel hedging is the practice of making advance purchases of fuel at a fixed price for future delivery to protect against the shock of anticipated rises in fuel price.

GPU (Ground Power Unit)

A device used on the ground at airports to supply electric power to aircraft without an APU (Auxiliary Power Unit).

GRI (Global Reporting Initiative)

An independent entity operating under the UNEP, it was established in 1997 with the aim of developing and distributing universal sustainability reporting guidelines to be used in corporate economic, environmental, and social performance reporting.

IATA (The International Air Transport Association)

An international trade association for international commercial aviation, headquartered in Geneva. It is a UN cooperative body representing approximately 270 of the world's airlines. In addition to the board of governors and nominating committee, it consists of six standing committees including the Cargo Committee, Financial Committee, Industry Affairs Committee, Operations Committee, Environmental Committee, and Legal Committee. (<http://www.iata.org>)

ICAO (The International Civil Aviation Organization)

A United Nations agency founded in 1949 with its headquarters in Montreal. The constitution of the ICAO is the Convention on International Civil Aviation, drawn up by a conference in Chicago in November and December 1944, to which each ICAO Contracting State is a party. According to the terms of the Convention, the Organization is made up of an Assembly, a Council of limited membership with various subordinate bodies and a Secretariat. (<http://www.icao.int>)

ICAO Annex 16

Aircraft noise and emission standards established by the ICAO

ICAO CHAPTER 3, 4

Depending on the existing requirements for certification, aircraft must comply with the standards established in Chapters 2, 3, 4 and 5 of ICAO Annex 16 regarding noise and engine gas emissions.

GLOSSARY

IPCC (Intergovernmental Panel on Climate Change)

The IPCC was set up by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) in 1988 to evaluate the impact of human activities on climate change and to report on the performance of and compliance with the United Nations Framework Convention on Climate Change (UNFCCC).

Kiosk

A kiosk is an unmanned terminal located in public places for convenient use of the public and for the automation of information and working processes. Users can access information, make purchase, print tickets or register information through a touch screen.

Open Skies

Open Skies refers to a bilateral, and sometimes multilateral, air transportation agreement which permits the liberal operation of state-based flights in signatory countries.

RTK (Revenue Ton Kilometer)

The total weight capacity sold in tons multiplied by the distance traveled.

Sustainable Management

A business philosophy which subscribes to the belief that a company can achieve sustainable development by taking the lead and displaying responsibility for the economic, environmental and social aspects of its operations. Sustainable management can give a company a competitive edge while improving its overall value.

Sustainability Report

A report that publicly discloses an organization's economic, environmental and social performances to satisfy the needs of various stakeholders for information about overall organizational performance.

AWARDS

DATE	AWARD	AUTHORITY
Dec. 2007	Minister of Environment Prize at the "Korea Sustainable Management Awards"	Hankyung Daily Business
Nov. 2007	2007 PAX Readership Global Award	PAX International Magazine
Sep. 2007	Highest ranked Airliner in the Korea Service Quality Index	Korea Standards Association
Sep. 2007	Grand prize & Road sector winner at TV CF Awards	MBC
Sep. 2007	2007 True Company Awards	Minister of Labor
June 2007	Minister of Environment Prize at the Environmental Management Awards	Ministry of Commerce, Industry & Energy/ Ministry of Environment
June 2007	Great Workplace Awards	Economy 21
Apr. 2007	Supplier of the Year 2006	The Boeing Company
Apr. 2007	Best Economy Class in OAG Airline of the Year Awards	OAG
Mar. 2007	TV Ad and Magazine Ad sector winner at Consumers' Pick Awards	Korea Advertisers Association
Mar. 2007	Gold winner for onboard service category, Mercury Awards	International Travel Catering Association
Jan. 2007	Best Airline for Cargo	Global Traveler
Jan. 2007	Best Business Class to Asia / Trans-Pacific	Business Traveler Magazine

ABOUT KOREAN AIR
SUSTAINABILITY REPORT 2008

THE PUBLICATION OF THE REPORT

Korean Air published environmental reports from 2001 to 2005. Since 2006, we have published sustainability reports under the title of “Sustaining Excellence” covering all aspects of economic, social and environmental performance. This report has been produced in compliance with the G3 guidelines of GRI. We endeavor to further expand the scope and coverage of the report each year with the aim of publishing a sustainability report befitting our reputation as a leading global carrier.

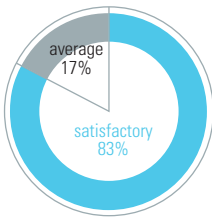


THE PRODUCTION PROCESS OF THE REPORT

We have strived to elevate both the objectivity and reliability of all contents in the 2008 Sustainability Report by mentioning the overall management activities of Korean Air along with stakeholders’ opinions. The report has been drafted by Korean Air’s Environment Team in accordance with the production guidelines recommended by the GRI (G3) Guidelines. Thirty-three employees from 23 relevant departments organized the data. The Environment Team planned and reorganized the contents of the report, which was reviewed by relevant departments and senior management prior to publication.

- Feedback from Stakeholders**
Korean Air actively communicates with its stakeholders. We have surveyed employees to gain their suggestions for improving our sustainability report. Results of the survey of the previous report have been reflected in producing the 2008 Sustainability Report. We will continue to actively communicate with our stakeholders including shareholders, suppliers, customers and NGOs in order to improve future sustainability reports.

SURVEY RESULTS



Useful Information	Information requiring improvement
2006 Sustainable Management Activities	Corporate Governance & Risk Management
Responsibilities to Customers	Economic Responsibilities to Stakeholders
Social Contributions	Responsibilities to Employees
Sustainable Management Activities	Sustainable Environment
Economic Responsibilities to Stakeholders	Social Contributions

IMPROVEMENTS IN THE REPORT

This report has been produced in compliance with the G3 guidelines of the GRI; however some information may not fulfill the guidelines’ disclosure policy due to internal conditions of the company. Collecting further opinions from stakeholders and external verification processes are required for objective accuracy. Korean Air has pinpointed a number of areas requiring improvement and is committed to improving them in the future reports.

FEEDBACK

1. Which of the following stakeholder groups do you belong to?

- ☐ Employee
 ☐ Customer
 ☐ Shareholder
 ☐ Investor
 ☐ Supplier/Subcontractor
 ☐ Government body
☐ NGO
 ☐ CSR expert
 ☐ Media
 ☐ Academic body
 ☐ None of the above ()

2. Which of the following sections provided the information you required from the report?

- ☐ Company Profile
 ☐ Business Strategy
 ☐ Investor Information
 ☐ Customer Service
 ☐ Employees
☐ Social Contributions
 ☐ Environmental Management
 ☐ None of the above ()

3. Does this report cover all the important issues that you thought needed to be included without omission?

- ☐ Yes, it covers everything.
 ☐ Yes, it contains quite a lot.
 ☐ It contains some important issues.
☐ No, it lacks some of the important issues.
 ☐ No, it omits all the information I need.

4. Please describe the type of information that you would like to see in our next report.

5. Did you find any sections of this report to be insufficient, incomplete or inadequate? If so, please elaborate.

- ☐ Company Profile
 ☐ Social Values & Responsibilities
 ☐ Environmental Values & Responsibilities
☐ Economic Values & Responsibilities
 ☐ None of the above ()

6. We welcome any comments or criticism regarding this report.

Thank you for completing the survey. Your comments are greatly appreciated and will be used to improve future reports.
Please mail or fax the survey to the following address:

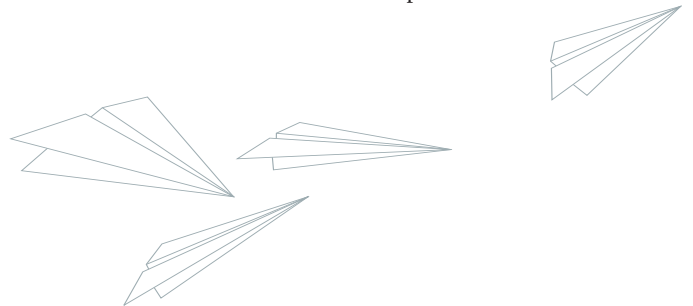
Environment Team, Facilities & Environment Department, Korean Air

Add: 1370, Gonghang-dong, Gangseo-gu, Seoul 157-712, Korea **FAX:** +82-2-2656-7447





Korean Air prepares for another
delightful journey as soon as
it wraps up a successful flight,
continuing the cycle of bringing
people together across the globe.
Korean Air will continue its endeavors to
promote the balanced growth of society,
environment and the economy
while providing a sustainable
future for our planet.





SUSTAINING EXCELLENCE

KOREAN AIR SUSTAINABILITY REPORT 2008

Contact Point

Opinions, suggestions and questions can be referred to the following address:

Environment Team, Facilities & Environment Department, Korean Air
1370, Gonghang-dong, Gangseo-gu, Seoul 157-712, Korea

E-mail: baejunghwan@koreanair.com / kimmsun@koreanair.com

Tel: +82-2-2656-7461/5512 Fax: +82-2-2656-7447

The 2008 Sustainability Report and other reports including annual reports are available at our website. (<http://www.koreanair.com>)

Please direct other questions and opinions regarding:

Ethical Management to jyun@koreanair.com

Financial Information to jmpark@koreanair.com

Social Contributions to youngmchoi@koreanair.com

Environmental Performance to baejunghwan@koreanair.com

Designed by UCC, Inc



GRI G3 Self-declared B Level

We have self-declared our report as meeting the criteria for Application Level B.
This self-declaration has not been externally assured nor checked by GRI.



1370, Gonghang-dong, Gangseo-gu, Seoul 157-712, Korea
Tel: +82-2-2656-7114 | <http://www.koreanair.com>



This report is printed on an environmentally-friendly recycled paper using soybean oil.