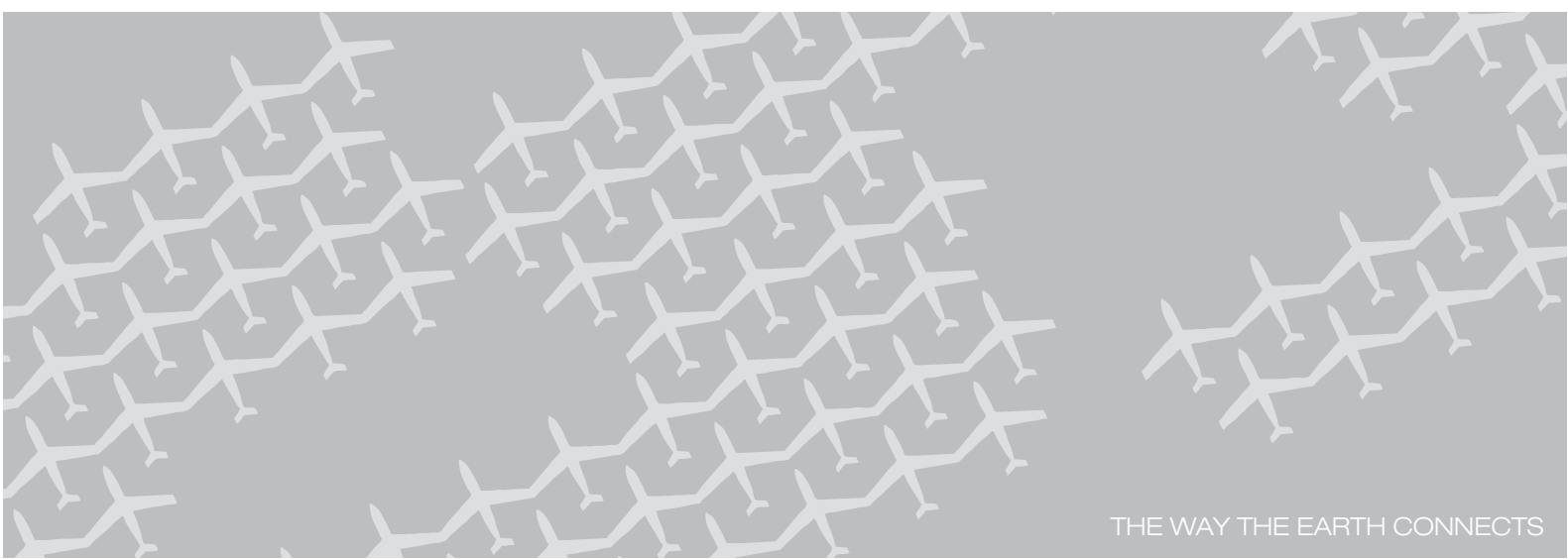


AN ANNUAL REVIEW
OF STAR ALLIANCE
PRODUCTS AND BENEFITS





A snapshot of the 26 Star Alliance members

Total revenue (\$US)	\$168.1 billion	Airports served	1,300
Annual passengers	659.6 million	Fleet	4,377
Daily departures	20,813	Lounges	More than 980
Number of Employees	412,762	Countries served	189

STAR ALLIANCE MEMBER CARRIERS	FLEET SIZE	NUMBER OF EMPLOYEES	MAJOR HUB AIRPORTS
 Adria Airways (JP)	14	452	Ljubljana
 Aegean Airlines (A3)	29	2,200	Athens, Thessaloniki, Heraklion, Rhodes, Larnaca
 Air Canada (AC)	352	26,000	Toronto, Montreal, Vancouver, Calgary
 Air China (CA)	282	24,459	Beijing, Chengdu, Shanghai
 Air New Zealand (NZ)	102	10,800	Auckland, Los Angeles, Hong Kong
 ANA (NH)	222	33,183	Tokyo, Haneda, Osaka
 Asiana Airlines (OZ)	71	9,041	Seoul Incheon, Seoul Gimpo
 Austrian (OS)	81	6,000	Vienna
 Blue1 (KF)	9	350	Helsinki
 British Midland International (BD)	60	3,811	London Heathrow
 Brussels Airlines (SN)	49	3,300	Brussels
 Croatia Airlines (OU)	13	1,095	Zagreb
 EGYPTAIR (MS)	75	7,500	Cairo
 Ethiopian Airlines (ET)	48	5,635	Addis Ababa, Lome
 LOT Polish Airlines (LO)	54	2,887	Warsaw
 Lufthansa (LH)	419	37,689	Frankfurt, Munich
 Scandinavian Airlines (SK)	136	12,883	Copenhagen, Oslo, Stockholm
 Singapore Airlines (SQ)	105	13,588	Singapore Changi
 South African Airways (SA)	55	9,223	Johannesburg
 SWISS (LX)	89	7,641	Zurich, Geneva, Basel
 TAM (JJ)	154	29,000	São Paulo, Rio de Janeiro, Brasilia
 TAP Portugal (TP)	71	7,055	Lisbon, Porto
 Thai Airways Intl (TG)	89	24,563	Bangkok, Chiang Mai, Phuket, Hat Yai
 Turkish Airlines (TK)	176	15,726	Istanbul, Ankara
 United (UA) (Includes Continental)	1,262	86,402	Chicago, Cleveland, Denver, Guam, Houston, Los Angeles, New York (Newark), Tokyo (Narita), San Francisco, Washington (Dulles)
 US Airways (US)	340	32,000	Charlotte, Philadelphia, Washington D.C., Phoenix
SOON TO JOIN			
 Avianca-TACA (AV-TA)	150	12,000	Bogota, San Salvador, San Jose, Guatemala City, Lima
 Copa Airlines (CM)	60	4,772	Panama City
 Shenzhen Airlines (ZH)	100	8,000	Shenzhen

* all figures as of January, 2012

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STAR ALLIANCE SAID “GOODBYE” TO JAAN ALBRECHT...

“Jaan has given Star Alliance strong leadership through a period of considerable growth and in some exciting and challenging times.”

ROB FYFE, CHAIRMAN OF THE
STAR ALLIANCE CHIEF EXECUTIVE BOARD



Jaan Albrecht, who led Star Alliance as its Chief Executive Officer for 10 years, left the Star Alliance central organisation at the end of 2011 to take up a new role as CEO at Austrian, one of the Alliance's member airlines.

When Albrecht joined Star Alliance as its CEO in June 2001, it had just eight members. Only three months into his tenure came the shock of 9/11, with its terrible loss of life and very immediate impact on the aviation industry. In that difficult operating environment, it became his task to work out whether the Alliance had a role and value and if so, then in what shape and form.

The path quickly became clear; the role of the Alliance strengthened and it gathered more members. By the time he was appointed to his new role, Star Alliance had grown to a membership of 26.

“Jaan has given Star Alliance strong leadership through a period of considerable growth and in some exciting and challenging times. We all wish him every success in his new role at Austrian,” Rob Fyfe, CEO of Air New Zealand and Chairman of the Star Alliance Chief Executive Board said at a farewell.

Managing coordinated activities across an alliance that embraces one quarter of the aviation industry inevitably calls for supreme diplomacy, plus a strong understanding of the operational aspects of running a passenger airline business. Fortunately, Albrecht combined both.

His first task in his new role will be to bring Austrian back to profitability. His allegiance to the Alliance will of course remain strong. “I will stay in the family and I will be flying on in that capacity,” Albrecht said.

Born in Mexico, Albrecht entered the aviation business as a commercial pilot at the age of 18, then became Chief Pilot of Mexicana's Boeing 727 fleet and later Senior Vice President, Operations. He went to hold a number of senior management roles before his move to Star Alliance.

... AND WELCOMED MARK SCHWAB

Mark Schwab was announced as the new CEO for Star Alliance in mid-December of 2011, following a high-level executive search for the right candidate to lead the Alliance in its 15th anniversary year. He started his new job on January 1, 2012.

Schwab, however, is no newcomer to Star Alliance – in his previous role at United he had served as a member of the Alliance Management Board. “It feels like coming home,” he commented soon after he took up his new responsibilities.

A U.S. citizen with a strongly international outlook, he spent most of his career outside his home country. Schwab began his aviation career in 1975 with Pan American World Airways in Rio de Janeiro and held numerous executive positions in the airline industry, including at US Airways and American Airlines as well as with United. He went on to head organisations in Latin America, Europe and Asia. Most recently he was Senior Vice President Alliances at United, serving in this role also on the Alliance Management Board. As such, he is no stranger to Star Alliance and is at home in a number of the countries where the Alliance has member airlines, having spent parts of his career also in Japan and the UK.

Rob Fyfe, CEO of Air New Zealand and Chairman of the Star Alliance Chief Executive Board said of the new CEO: “With Mark Schwab we have secured an internationally renowned airline executive, who has all the qualifications required to lead our alliance into the next chapter of its success story.”

Schwab has a degree in Latin American Affairs from the University of Virginia, Charlottesville and is fluent in both Spanish and Portuguese. He is married with two daughters.

“ (Mark Schwab) has all the qualifications required to lead our alliance into the next chapter of its success story.

ROB FYFE, CHAIRMAN OF THE
STAR ALLIANCE CHIEF EXECUTIVE BOARD





ETHIOPIAN AIRLINES: OUR THIRD CARRIER IN AFRICA

Star Alliance added a further cornerstone to its Africa strategy at the end of 2011 when Ethiopian Airlines (ET) formally joined as the third African member carrier, alongside EGYPTAIR and South African Airways.

ET's joining was marked by a signing ceremony at Addis Ababa's Bole International Airport (ADD), Star Alliance's new hub in central Africa, on December 13.

Tewolde GebreMariam, CEO of Ethiopian, feted his airline's joining of Star Alliance as a milestone for Ethiopian. "This day will remain colourfully marked in our history book," he said. "It is in line with our efforts to lay a strong foundation for the airline to achieve its vision 2025 objectives."

Ethiopian Airlines has been flying for 65 years - its maiden flight was to Cairo in 1946 - and has

won a series of awards, most recently the 2011 AFRAA for consistent profitability, and the African Cargo Airline of the Year 2011 award.

The airline employs over 5,600 people and with its fleet of 48 aircraft serves 63 international destinations. Its network adds 23 new unique destinations in three additional countries to the Star Alliance network. Its frequent flyers are members of the ShebaMiles programme, which now joins the lineup of Star Alliance accredited programmes.

The celebratory joining event held in Addis Ababa had a strong Ethiopian cultural flavour. Top executives from the other Star Alliance member airlines wore Ethiopian national dress for the ceremony, making for a colourful "family photo" on the tarmac at Addis Ababa, in front of ET's Star





THE JOINING EVENT WAS CELEBRATED WITH THE CUTTING OF A CEREMONIAL CAKE BY SEVEN SENIOR OFFICIALS, INCLUDING FIVE MEMBER CARRIER EXECUTIVES, WEARING ETHIOPIAN NATIONAL DRESS. **LEFT TO RIGHT ARE** FDRE MINISTER OF TRANSPORT DERIBA KUMA; CHAIRMAN OF THE BOARD OF ETHIOPIAN AIRLINES ADDIS LEGESSE; LUFTHANSA CEO CHRISTOPH FRANZ; STAR ALLIANCE CEO JAAN ALBRECHT; ETHIOPIAN AIRLINES CEO TEWOLDE GEBREMARIAM; EGYPTAIR VP ALLIANCES AND INTERNATIONAL RELATIONS MOHAMED SOLIMAN; AND SOUTH AFRICAN AIRWAYS CEO SIZA MZIMELA. **TOP:** FOLLOWING THE JOINING EVENT, OFFICIALS POSED IN FRONT OF ETHIOPIAN'S FIRST STAR ALLIANCE BRANDED AIRCRAFT.

Alliance liveried 767.

A further highlight was the ceremonial cutting of a huge cake, iced with the Ethiopian Airlines logo and marking the date of the event, in keeping with the Ethiopian culture of celebration. ET will be the inaugural customer in Africa for the Boeing 787 "Dreamliner", and while its own plane is not yet ready, the airline offered a short demo flight to attending CEOs at the event, courtesy of Boeing. The day's celebrations were wrapped up with a gala dinner attended by around 700 invited guests.



STAR ALLIANCE WELL POSITIONED AS AFRICAN ECONOMY GATHERS MOMENTUM

Africa is building stronger intra-regional trade ties and reaching out not only to traditional partners such as the U.S. and Europe, but also to other emerging economies in Latin America and Asia. Trade-fuelled growth is generally good news for aviation and Africa is proving no exception.

The Organisation for Economic Co-operation and Development predicts 5.8% growth for Africa in 2012, up from an estimated 3.7% in 2011, both rates far faster than those being seen in the traditional old world economies.

With international trade acting as a key engine for growth it comes as no big surprise that aviation traffic to, from and within Africa is booming.

“Aviation has to play a central role in the prosperous development of the African continent,” Jaan Albrecht, outgoing CEO of Star Alliance, said in December, as he welcomed Ethiopian Airlines into Star Alliance — its third carrier in Africa, alongside EGYPTAIR and South African Airways. “The growing economic relationships that the African nations develop with partner countries around the globe translate automatically into demand for logistics and mobility. Double digit aviation growth rates all across the continent validate this assumption.”

In such an environment, access to the global network provided by an airline alliance is a boon for local carriers and business travellers alike. And alongside the business-led traffic, Africa is also increasingly popular as a leisure destination, with backpackers and high-end luxury vacationers seeking to enjoy the region’s unspoiled nature.

Skyteam has just one member in Africa, Kenya Airways, while oneworld has only an affiliate member with BA’s Comair, leaving Star Alliance well positioned to benefit from, and support, the African growth boom, with its local member carriers leading the way. The addition of Ethiopian gives the Alliance a new hub at Addis Ababa in

central Africa in addition to EGYPTAIR’s Cairo in the north and SAA’s Johannesburg farther south.

In capacity terms, Star Alliance offers more seats between Africa and other continents and within the land mass; the one exception being Africa-Australasia. Between Africa and North America, 46% of capacity is with Star Alliance carriers. The Alliance accounts for 56% market share on the routes between Africa and Asia, while between South America and Africa Star Alliance has a 53% share. Within Africa, the Alliance claims 37% of capacity, with SkyTeam owning just 8%.

More than half the Star Alliance carriers serve Africa, with 16 members now operating more than 830 daily flights serving 117 destinations in 49 countries on the continent. This is a marked increase compared with just four years ago, before EGYPTAIR joined the Alliance.

“In a developing area such as Africa, the convenience of alliances for travel is probably as great or greater than it is in more developed areas of the world,” analyst Ray Neidl, an Aerospace Sector Specialist with investment and securities firm Maxim Group of New York. He expects Africa to grow to become an even more important source of origin/destination traffic as its economy develops.

“Frequent (higher yielding) travellers are definitely paying attention to alliance airlines for both accumulating frequent flyer points and for the convenience of connectivity,” Neidl said. “All areas of the world benefit from alliances both from an airline’s viewpoint as well as the traveller’s.”

Chris Zweigenthal, Chief Executive of the Airlines Association of Southern Africa, agreed that African airlines could only benefit from association with an alliance. “African aviation is better off with alliances as opposed to no alliances,” he said, adding that each alliance will attract passengers according to their travel needs, with the competitive edge going to the alliance that can offer added value to prospective customers.

Yet a barrier to expansion is posed by the lack of suitable candidates who could quickly rise to meet the standards required to sign up with an international aviation group. While the process of joining an alliance in itself often helps an airline to improve its performance — by learning from international colleagues who are best in class — the airline must start from a good base and be willing to develop and adapt to match the services of its international counterparts.

The Centre for Asia Pacific Aviation identified the relatively small number of quality airlines as the biggest hurdle for alliance growth in a report published in June, 2010. “The lack of fully viable locally based carriers offers something of a challenge in finding partners to expand beyond the small number already accounted for. Nonetheless, the role of global alliances seems sure to increase competition on the African continent.”

This can be seen as good news for Star Alliance, as it implies its two global rivals will need time to strengthen their presence. But in practice, as is being seen in other parts of the world, it also means the competitive threat is most likely to come from other sources — namely the Gulf carriers and low-cost carriers (LCC).

Gulf carriers are exerting pressure through rapid expansion into the Middle East, Europe and Africa and Zweigenthal believes that if Africa is going to develop into a marketing “ground zero” for airlines, the playoff will not be between the alliances but with the expansion of the Gulf carriers Emirates, Etihad and Qatar Airways.

But for now, at least, the threat from LCCs appears limited. LCCs are active mainly in the South African

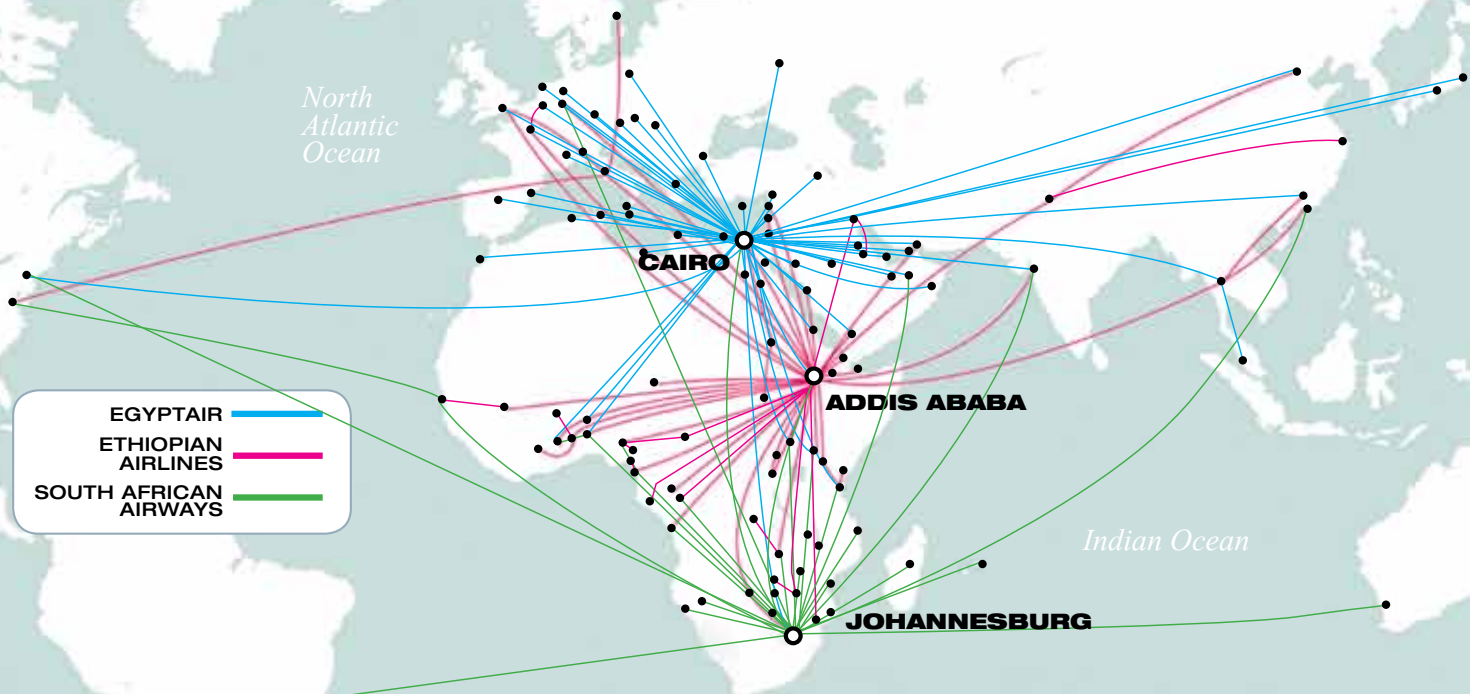
domestic market, attracting business in price-driven market segments, but there are no signs as yet that they will further increase the pressure on legacy carriers with a move into long-haul traffic.

“The LCCs are operating to regional destinations in Africa but these are restricted presently to maximum 3 to 3.5 hour ranges due to the aircraft types being operated,” Zweigenthal said. “There are currently no indications that the LCCs will go into the long haul in Africa.”

Nevertheless some African carriers have been prompted to set up LCCs to ensure they are competitive in the low-price segment, which has tremendous growth potential in emerging economies with their typically relatively large gap between rich and poor. One example of a carrier within the Alliance that has an LCC subsidiary is South African Airways with Mango.

As Africa’s economies become more active in global trade, governments will face calls for greater liberalisation of air traffic, notably to improve access to resource-rich parts of the continent that have traditionally been closed for political or nationalistic reasons. But given the fragmented, and often volatile, nature of government and politics in many African nations, a move to Open Skies for Africa seems unlikely any time soon.

Neidl added that, with time, Star Alliance as the largest alliance in Africa could have a role to play in encouraging liberalisation. “Star Alliance could have a small, but stabilising, effect on decision-makers in Africa who may be on the fence about opening borders to an expanding aviation market.”



MEMBER CARRIERS FACED AN “INTERESTING” YEAR

By Ronald Kuhlmann

Popular attribution of the phrase, “May you live in interesting times” gives it Chinese origins. While that is now disputed, it is clear that it is far from an expression of goodwill on the part of the speaker. For airlines in 2011, times were surely interesting, and challenging in unanticipated ways. Events ran the gamut from natural disasters to political unrest and the world’s carriers needed an excess of coping measures and regrouping skills.

Given the fact that Star Alliance encompasses more of the world’s leading airlines than any other, a record number of its members were faced with unforeseen obstacles.

In terms of natural disasters, earthquakes in New Zealand in February followed by the earthquake and tsunami in Japan in March wreaked devastation and casualties that were unprecedented. Both events significantly affected tourism and, especially in the case of Japan, had widespread economic consequences. Star Alliance members ANA and Air New Zealand were directly and immediately affected and were forced to adapt schedules and capacity accordingly.

By April, traffic at Tokyo’s Narita was off by nearly 40%, and Haneda, Sendai and other Japanese airports that were temporarily closed saw reductions in flights. The good news is that traffic rebounded as the year progressed and with the introduction of the B787 by ANA, new routes are being opened.

Unlike Japan, where the quake was essentially a singular event, earthquakes have continued to rattle the area around Christchurch, resulting in a continued traffic shortfall at New Zealand’s primary South Island gateway.

In both events, the airlines not only reacted quickly to the new realities but also played a significant role in the rescue and recovery efforts.

Unlike 2010, when volcanic ash was the biggest story, there were only minor disruptions caused by smaller eruptions, but both airlines and regulators had learned a great deal in 2010, meaning that the 2011 volcanic activity was far less intrusive.


And there were floods. In Southeast Asia, Australia, parts of Latin America, Europe and the U.S., water repeatedly got in the way. Thailand suffered massive flooding and some aircraft belonging to THAI were stranded at Don Muang airport when the airport was inundated. Parts of Australia were flooded and impassable for long periods. Italy experienced flash flooding.

In the U.S., Hurricane Irene surprised much of the northeast in August and interrupted travel to and across the region for much longer than initially anticipated. Flooding in the central U.S. also affected operations and normal commerce.

Climate change is evident everywhere and forecasters warn that severe weather events will continue to occur, and perhaps even intensify. Airlines, always susceptible to weather, have greatly improved their proactive response procedures and continue to expand communication with travellers — a benefit to both parties of the expanded use of social media.

But not all of the chaos was delivered by Mother Nature. Political unrest, especially notable in the Middle East, was evident in other parts of the world as well. Early in the year, there were more disruptions in Thailand, suppressing tourism and necessitating a response by THAI. Turmoil in Pakistan and protests in India against widespread corruption





continually made headlines on the subcontinent and India's airlines, while located in a growing market, all continue to struggle with viability and none have proven as yet to be valuable additions to any of the alliances.

Beginning with Tunisia, the Arab Spring moved across the region into Egypt, Libya, Bahrain, and Syria with significant movements, while smaller pockets of dissatisfaction appeared in other nations in the region. Star Alliance member EGYPTAIR was most affected by the upheaval, with traffic to its main hub in Cairo dropping precipitously. Initially not just EGYPTAIR, but most airlines serving Cairo cut service and operated on ad-hoc schedules, dependent on the daily situation.

While at first thrown into disarray by the events, EGYPTAIR responded by focusing on transit traffic at Cairo, a plan with benefits that will outlast political events and make the carrier a more viable regional competitor. By December, the airline reported that it was operating a full schedule, though some routes had diminished load factors.

Star Alliance member British Midland International was especially hard hit as many of its medium-haul services were operated to points significantly involved in radical change.

Finally, economic woes across the globe continued to keep traffic recovery down, with the Eurozone increasingly affected by strikes, protests and economic hardship. Greece, especially, has been steadily in the news, making the year truly "interesting" for Star Alliance's Greek member, Aegean. Yet despite the problems, the airline posted a small passenger increase in 2011, albeit with declining yields. Unfortunately, for the European Star Alliance members, 2012 may see conditions worsen before they improve.

One bright spot for the Eurozone is a more favorable exchange rate for many visitors, encouraging tourism.

Despite natural disaster, political unrest and economic weakness, which were high-profile negatives, there were many positive trends as well. Africa was a hot spot of route development with U.S. carriers, including United/Continental, expanding their connections to Africa. The accession of Ethiopian Airlines to full Star Alliance membership now makes it the leading alliance on the continent and enhances connections for new long-haul services.

Asia, and especially China, continues to show steady growth and the year proved profitable for China's carriers, including Air China. The region will soon be the globe's largest aviation market and Beijing will soon overtake Atlanta as the world's busiest airport. With six member airlines headquartered in the Asia-Pacific region, Star Alliance is well represented across this important region.

Also in ascendance is Latin America where growth and consolidation are moving rapidly. Chile's LAN and Brazil's TAM move closer to being a single entity even as Colombia's Avianca, due to join the Alliance soon, also extends its reach with Taca to the north and within Brazil.

Yet in 2011, much of the industry was healthier, more profitable and nimbler than it has been in well over a decade. Other than rising fuel prices, and the possibility of a trade war over the Eurozone's Emissions Trading Scheme, the challenges of 2012 are still unknown, but they will be tackled by an industry that has been tested and found able to adapt — even if "interesting" times persist.

Ronald Kuhlmann is a freelance journalist based in the U.S. Much of his aviation career was with Swissair.

MICRONESIA AIRPASS LATEST FARE PRODUCT

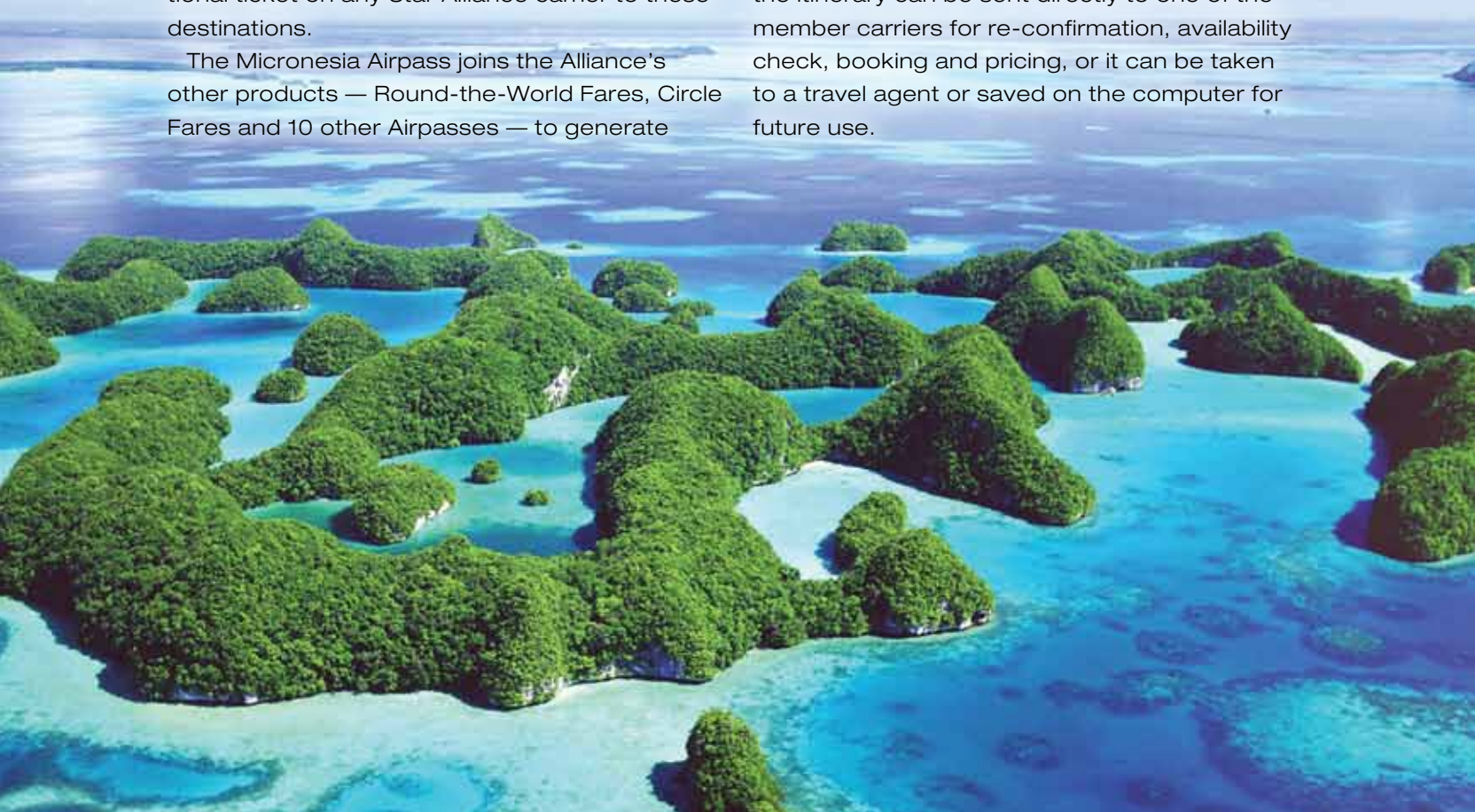
Star Alliance's newest Airpass provides access to South Pacific destinations, primarily through flights on Continental and United. The Micronesia Airpass gives travellers significant discounts when travelling to more than 20 destinations within the Micronesian islands and surrounding areas of Kwajalein and Majuro in the Marshall Islands, Rota and Saipan in the Northern Mariana Islands, Guam, Kosrae, Pohnpei, Chuuk, Yap and Palau. Journeys can start in Japan, Hong Kong, Manila, or Cairns (Australia), if customers reside outside of the area and hold an international ticket on any Star Alliance carrier to these destinations.

The Micronesia Airpass joins the Alliance's other products — Round-the-World Fares, Circle Fares and 10 other Airpasses — to generate

large amounts of revenue that carriers might not otherwise see.

Since the introduction of global fare products in 2001, revenue has grown each year to the point that collectively almost US\$2.7 billion goes to the member carriers each year. The most popular is the Round-the-World Fare.

The Airpass Calculator and Book and Fly are two online tools that help travellers plan trips and calculate fares. The tools indicate the available flight options as well as the nearest airport to the intended destination. Once a trip is planned, the itinerary can be sent directly to one of the member carriers for re-confirmation, availability check, booking and pricing, or it can be taken to a travel agent or saved on the computer for future use.



TRAVEL PRODUCTS BOUYED BY JVs, ONLINE BOOKING

Star Alliance's travel products showed a robust performance in 2011, with two significant developments underpinning a renewed rise in their popularity: intra-Alliance joint ventures and the birth late in the year of a new online booking tool for discounted convention travel.

Corporate Plus, Conventions Plus and Meetings Plus are products that help travel managers and meeting and event organisers get the most from their travel budgets.

"Joint ventures within the Alliance, rather than detracting from the Alliance travel products, as might have been expected, have in fact supported them by bringing a first step towards simplification," said Peter Glade, Director, Sales and Market Development.

"Their antitrust immunity means that joint ventures can do a lot of things that are not open to an Alliance. In fact, we are seeing that these ventures have created a new heart for the Alliance agreement."

A second important factor came from the development of a unique online booking tool for Conventions Plus. The engine, soft launched late in 2011 and fully launched in early 2012, is the only tool on the market that allows discounted travel booking across a complete global airline network.

"This is a unique tool," said Rosi Clement, Senior Manager Conventions & Meetings. "It makes the booking process far simpler which is of course what everybody wants. We will see the full impact in 2012 but initial uptake has been very promising indeed."

The tool complements existing traditional fulfilment channels. Organisers can use the tool to inform delegates of travel options offered by the participating airlines for the selected convention.

CORPORATE PLUS

Corporate Plus is designed specifically for corporations of any size that regularly fly employees around the world. Corporate Plus removes the stress and hassle of organising complicated corporate travel plans by condensing airline negotiations into one contract. It is individually designed to suit the needs and budget of each business. Corporate Plus provides a single airline contact, a personalised report that details all aspects of the trip, and a single agreement whether travelling on one airline or many. Today, there are more than 100 Corporate Plus agreements in place, generating some €2.4 billion in annual revenue for the carriers.

CONVENTIONS PLUS

Conventions Plus is dedicated to providing discounted tickets for those attending large international conventions such as association congresses, sports and cultural events, and exhibitions. Organisers of qualifying events have to promote Star Alliance as the official airline network, and communicate the Star Alliance offer on the event website. In January, 2012, Star Alliance became the first alliance to offer online booking and ticketing to convention delegates. The number of Conventions Plus contracts grew by more than 10% in 2011, representing travel to more than 200 global conventions.

MEETINGS PLUS

Meetings Plus allows member airlines to offer a single meeting agreement to corporate customers for hosted travel (travel that is paid by the corporation) and non-hosted travel (travel paid by the attendee) to their international meetings, which includes a discount on published fares. The corporation has to have a mandated travel agency for booking the attendees. Meetings Plus attracted twice the number of organisers in 2011 than in the previous year.

SATISFACTION WITH STAR ALLIANCE REMAINS STEADY IN CUSTOMER SURVEY RESULTS

The Online Customer Satisfaction Survey, which measures passenger perceptions of Star Alliance's service performance, took on a new dimension in 2011 with the expansion of its target audience for the base survey and the addition of a separate survey targeting a new passenger group.

The base survey was extended gradually during the year to include all routes by all member carriers instead of only routes between Star Alliance member hubs. In addition, the survey was expanded to address passengers travelling on a Star Alliance airline other than their "home" carrier — the airline where their frequent flyer programme membership resides — to explore whether they felt the same level of recognition on these flights.

As a result of these two measures, participation was higher than ever, giving a sounder measurement of passenger views than has been available in the past.

In the fourth quarter of the year a record 39,500 customers took part in the basic survey and a further 14,100 participants registered their views when travelling on other Star Alliance member carrier flights. The headline results, however, remained more or less steady.

"Overall, the survey reaffirmed that satisfaction with Star Alliance remains steady at a high level and with a very slight uptrend over time," said Alex Fuchs, Manager, Compliance and Market Research. "It was positive to have this reconfirmed even with a wider survey base."

The data shows that over 75% of all Star Alliance passengers, whether they held Gold, Silver or base-level status, would recommend Star Alliance to friends and colleagues. Beyond the headline figures, the survey also gives breakdowns of results by carrier and by airport, so allowing individual carriers and airports to get a clear

picture as to where things run well and where more attention may be needed to make sure their service always meets needs.

The additional survey for passengers flying on their non-home carrier has been generated to ensure consistency of delivery of benefits across the Alliance.

"The survey has proved itself as a useful tool that allows us to identify areas of strength and weakness in our performance for customers," Fuchs said. "Passenger feedback is our lifeblood, as only by discovering what passengers really experience and think of that experience can we ensure that service across the Alliance keeps pace with needs."

The survey itself therefore also continually evolves, Fuchs said. "For 2012 our goals will be to build up a solid bank of data on the new statistical base and to develop some interactive reporting enhancements that will make it easier to access and analyse the data."



AUDITING ENSURES COMPLIANCE WITH STAR ALLIANCE STANDARDS

With 26 airlines onboard, and more readying to join, it's important that each carrier adhere to a high standard of compliance when it comes to delivering common Star Alliance products and services. Non-compliance could make travel on the Alliance network a confusing and frustrating exercise for customers.

When a carrier joins the Alliance it agrees to provide services at a certain standard. Regular audits by the Alliance ensure that carriers are keeping their performance promises.

The basis of compliance is what the Alliance calls Assets and Components, a catalogue of required standards for members. It contains, among other things, rules and requirements for safety and crisis management, definition of core frequent flyer benefits, building the required IT infrastructure, quality management for Star

Alliance products and services as well as maintaining a consistent brand application.

For example, the bags of priority customers should be on the baggage belts first. Gold members should have access to lounges worldwide that are branded with the Star Alliance Gold logo, Gold and Silver members should receive priority on waitlists. "Star Alliance has developed certain standards in these situations that every airline has agreed to abide by," said Alex

Fuchs, Manager, Compliance and Market Research. "We

audit the carriers regularly to ensure these standards are being met and also rely heavily on our passenger surveys to check that service is up to scratch."

Auditing of each carrier at regular intervals ensures that the members are implementing the components the way they were intended, he said. "We have an

ambitious schedule that ensures that every airline in the Alliance

is audited once every two years. That means in 2011 we carried out 14 audits and the same will apply in 2012."

Audits are done by a team of Star Alliance and airline employees who are trained to conduct audits. "The training ensures we have a consistent way to monitor the airlines during the audits, which produces better quality results," Fuchs said.





GIVING RECOGNITION TO OUR MOST VALUABLE CUSTOMERS

Recognition and delivery of benefits to members of frequent flyer programmes (FFPs) who have earned Star Alliance Gold or Silver status has always been a cornerstone of the Alliance.

Star Alliance's 20 FFPs have 187 million members — a population that ranks among the world's 10 largest countries — and the total includes two million Gold and almost four million Silver status holders.

"Customers recognise that the ability to earn and burn miles across the airlines is a major benefit," said Christopher Korenke, VP Commercial. "It is equally important that all of our higher status customers know what other benefits they are entitled to, receive these and feel generally recognised."

Feedback on the experiences of the premium customer groups is provided by the Star Alliance Online Customer Satisfaction Survey (OCSS), results of which are published quarterly. "Obviously we are keen to see excellent customer perceptions in the area of recognition of our elite members," Korenke said.

FFP experts from across the Alliance are following a nine-point plan to ensure best possible performance in this area. Recognising that some of the problems lie in IT systems or other factors beyond the control of frontline staff, the actions include such measures as technical improvements in transfer and maintenance of FFP data across the entire airline network as well as better education of FFP members on their benefits and an expansion of the Star Alliance Upgrade Awards programme.

Frontline staff are required to complete an e-learning module that outlines the Star Alliance premium customer benefits and regular refresher courses to ensure their knowledge is kept current.

"Of course it is often the soft factors that are key to driving customer perceptions," Korenke said. "Sometimes a smile, friendliness or the dedication of a single member of the cabin crew to solving a customer's problem can be crucial to a passenger recording a positive experience for the flight as a whole."



UPGRADE AWARDS EXPANDS FURTHER IN 2011

Star Alliance Upgrade Awards is a unique concept that benefits the carriers and their frequent flyer members. The entire process is automated so the upgrade from one class to another is confirmed in seconds. Plus it is electronic so there is no need to issue a paper certificate or re-issue the original ticket. A customer can sign onto the airline's website or call their call centre, request the upgrade and get a rapid confirmation of their chosen award, subject of course to factors such as seat availability.

In surveys, international travellers consistently rank upgrade awards as one of the frequent flyer benefits they want most. In fact, it's one of the factors that customers say attracts them to Star Alliance.

"That means customers will tend to choose a

Star Alliance carrier because they can do here what no other alliance can," said Mio Yamamuro, Manager, Loyalty.

"It also means millions of dollars' worth of points or miles can be used in more creative ways. This results in a significant financial benefit because the FFP member's home airline transfers real dollars to the operating carrier to pay for the upgrade, so there is a direct financial benefit to the airlines."

From the start of 2011, Upgrade Awards became available when travelling on Air Canada, TAM and US Airways. All five member airlines based in the Americas now offer this product. EGYPTAIR also joined the programme late in December and Croatia in January 2012.

The product is now available on 20 Alliance carriers.

STAR ALLIANCE LAUNCHES PAGE IN FACEBOOK

In 2011, Star Alliance launched an official Facebook page for customers at www.facebook.com/staralliance.

The page is designed as a forum to allow travellers to share their experiences of travel with Star Alliance carriers, particularly with respect to Alliance-wide products such as the Round the World fare.

The page began with a campaign for Star Alliance Upgrade Awards featuring Japanese racing driver Takuma Sato, which was also prominent on the front page of www.staralliance.com and promoted through member carrier advertising channels such as inflight entertainment and inflight magazines.

A related quiz on Upgrade Awards, which offered two Round the World business class tickets as its top prize, saw 30,000 entries in its first month.

Another contest in the fall, called Global Pursuit, featured 11 questions to be answered for a chance to win an around the world adventure.

By the end of 2011, some 41,000 customers had become fans of the page.

"The experience of our member carriers on Facebook proved to us that it is a powerful medium for getting the Alliance message across," said Ingo Sanchez-Kuhlmann, Manager, Marketing and Brand. "We decided to create a page and use it to launch two campaigns in 2011, and we were amazed at the response. This is an exciting element of our marketing efforts that we will continue to build on in 2012."

Most member carriers are on Facebook. Here are their Facebook addresses so you can have a look:

-  **ADRIA:** <http://www.facebook.com/AdriaAirways>
-  **AEGEAN:** <http://www.facebook.com/aegeanairlines>
-  **AIR CANADA:** <http://www.facebook.com/aircanada>
-  **AIR CHINA:** <http://www.facebook.com/pages/Air-China/26356958417>
-  **AIR NEW ZEALAND:** <http://www.facebook.com/AirNewZealand>
-  **ANA:** <http://www.facebook.com/flyworld.ana>
-  **ASIANA:** <http://www.facebook.com/asianaairlines.korea>
-  **AUSTRIAN:** <http://www.facebook.com/AustrianAirlines>
-  **BLUE1:** <http://www.facebook.com/blue1.fi>
-  **BMI:** <http://www.facebook.com/flybmi>
-  **BRUSSELS AIRLINES:** <http://www.facebook.com/brusselsairlines>
-  **CROATIA AIRLINES:** <http://www.facebook.com/pages/Croatia-Airlines/111729525507978>
-  **EGYPTAIR:** <http://www.facebook.com/FlyEgyptAir>
-  **LOT:** <http://www.facebook.com/PILOT>
-  **LUFTHANSA:** <http://www.facebook.com/lufthansa>
-  **SAS:** <http://www.facebook.com/pages/SAS-Scandinavian-Airlines-System/112121938806284>
-  **SINGAPORE AIRLINES:** <https://www.facebook.com/singaporeair>
-  **SOUTH AFRICAN:** <http://www.facebook.com/SouthAfricanAirways>
-  **SWISS:** <http://www.facebook.com/flyswiss>
-  **TAM:** <http://www.facebook.com/TAMAirlines>
-  **TAP:** <http://www.facebook.com/TAPPortugal>
-  **THAI:** <http://www.facebook.com/pages/Thai-Airways/29114800627>
-  **TURKISH AIRLINES:** <http://www.facebook.com/turkishairlines>
-  **UNITED:** <http://www.facebook.com/unitedairlines>
-  **US AIRWAYS:** <http://www.facebook.com/USAirways>

STAR ALLIANCE AND MEMBER CARRIERS SHOW WELL IN MAJOR AIRLINE AWARDS

In July, Star Alliance was again named World's Best Alliance at the annual Skytrax World Airline Awards. In the list of top 10 carriers, Star Alliance members took five positions. Star Alliance was the first airline alliance to receive the Best Alliance Award from Skytrax, when the category was introduced in 2005. It held the title in both 2007 and 2009 (at that time the alliance award was handed out every two years). Alliance members showed well again in the awards:

STAR ALLIANCE MEMBER AWARDS

AEGEAN	Best Regional Airline – Europe
AIR CANADA	Best International Airline – North America
AIR NEW ZEALAND	Best Airline – Australia/Pacific, Best Airline – Premium Economy Class, Best Premium Economy Onboard Catering;
ANA	Best Service Excellence – Asia, World's Best Airport Services
ASIANA	Best Airline – Economy Class, World's Best Cabin Staff
AUSTRIAN	Best Business Class Onboard Catering; Staff Service Excellence – Europe
LUFTHANSA	Best Airline – Transatlantic
SINGAPORE	Best Airline – Asia, Best Airline Business Class
SOUTH AFRICAN AIRWAYS	Best Airline – Africa, Staff Service Excellence – Africa;
SWISS	Best Airline – Western Europe
TAM	Best Airline – South America, Staff Service Excellence – South America
THAI	Best Economy Class Airline seat, Best Economy Class Onboard Catering
TURKISH	Best Airline – Europe, Best Airline – Southern Europe, Best Premium Economy Class Airline Seat
TACA (FUTURE MEMBER)	Best Airline – Central America/Caribbean, Staff Service Excellence – Central America/Caribbean

In October, Star Alliance was voted Best Airline Alliance at the Business Traveller Awards for the sixth consecutive time. In addition to Star Alliance, the following member carriers received awards:

AIR CANADA	Best North American Airline
LOT POLISH AIRLINES	Best Eastern European Airline
SINGAPORE AIRLINES	Best Long-Haul Airline, Best Asia Airline, Best Business Class, Best Economy Class and Best Cabin Staff
SOUTH AFRICAN AIRWAYS	Best African Airline

ABOVE: BOB SCHUMACHER, UNITED AIRLINES (LEFT), ACCEPTS THE AWARD FOR BEST AIRLINE ALLIANCE 2011 ON BEHALF OF STAR ALLIANCE FROM CELEBRITY AUTHOR JOHN HUMPHRYS.

BIOSPHERE CONNECTIONS — OUR GLOBAL ENVIRONMENTAL PROJECT

Biosphere Connections, Star Alliance's global environmental project, which was launched in 1997, received a worldwide promotional push in April, 2011 with a marketing campaign aimed at bringing greater awareness of the work to a broad audience.

Part of the promotion involved a film crew from National Geographic, which shot in five locations around the world to highlight the work being done by the three Biosphere Connections partners — UNESCO — Man and the Biosphere (MAB), IUCN and Ramsar Convention on Wetlands.

The Director General of UNESCO, Irina Bokova fronted the campaign.

“As Star Alliance's only global environmental corporate social responsibility project it is important that Biosphere Connections reaches as broad an audience as possible through as many distribution channels as possible,” said Alastair Carthew, responsible for the programme at Star Alliance. “This marketing campaign took awareness of Biosphere Connections to an important new level.”

Measurements taken in the first weeks of the campaign showed an impressive 10,000 clicks to the Biosphere Connections landing page on staralliance.com, and the videos were viewed more than 195,000 times — in the first two weeks, surpassing expected rates. Ads appeared in the Economist, Financial Times, Time magazine and National Geographic magazine.

The primary goal of Biosphere Connections is to send conservation workers to conferences and workshops around the globe to further their education and to bring new insights back to their home countries. Since inception, almost 200 workers have attended conferences and workshops, thanks to the support of Biosphere Connections.

More information about the marketing campaign can be found at <http://www.staralliance.com/en/about/initiatives/environment/>

Many of the member carriers also carried information about the campaign in their inflight magazines.

THE FIVE BIOSPHERE SITES

- The Amani Butterfly Project in East Usumbara, Tanzania;
- The Abrolhos Archipelago in Brazil;
- Yellowstone National Park in the U.S.;
- The Hagia Sofia UNESCO heritage site in Istanbul;
- Chilika Lagoon in India.

WHAT IS BIOSPHERE CONNECTIONS?

Biosphere Connections was announced at the Alliance's 10th anniversary celebrations in Copenhagen in May, 2007. It is a partnership agreement between the Alliance and three international organisations promoting environmental sustainability:

- UNESCO Man & Biosphere Programme (MAB)
- International Union for Conservation of Nature (IUCN)
- Convention on Wetlands (Ramsar, Iran, 1971)

The objective of the initiative is to contribute to the promotion and conservation of biodiversity, and the sustainable use of natural resources in all the countries and regions that Star Alliance member airlines operate, by connecting the networks offered by the partner organisations. Since 2007, almost 200 environmental workers have been assisted by the Biosphere Connections programme to travel to conferences to share their knowledge and learn new ways to help the environment.

Star Alliance shares the long-term goals of the partner organisations — to seek conservation of biodiversity and natural resources in biosphere reserves, world heritage sites, wetlands and the sustainable development of human communities and the ecosystems they depend on. The Alliance supports these internationally recognised organisations, and carriers' efforts to improve environmental management, demonstrate commitment to the long-term health and well-being of society and the planet.



THE BIOSPHERE CONNECTIONS LOGO

is an update of the four-year-old logo.

The updated logo is based around the theory that the biosphere is the global sum of all ecosystems, therefore the biosphere incorporates a series of spheres that circle the earth. These are the lithosphere, hydrosphere, troposphere, stratosphere and mesosphere.

The logo consists of two types of arcs in the shape of the letter B, for Biosphere, and the name of the organisation. The concentric half circles symbolise the different spheres of the biosphere and the two half circles coming together symbolise “connection”.

aircraft

STAR ALLIANCE LIVERY PROMOTES THE ALLIANCE

From the beginning of the Alliance in 1997, the Star Alliance brand has been a strong component of building the association between Star Alliance and a member carrier's corporate identity — an effort that continues to pay off.

The 26 member carriers have agreed to paint at least 3% of their international fleets in the special Star Alliance livery.

These aircraft are often used as a branding cornerstone of an airline's launch ceremonies when joining the

Alliance, and the Alliance logo provides cost-efficient international flying billboards. The logo is easy to apply when an aircraft undergoes its regular maintenance or when a new aircraft is delivered.

Seventy-seven aircraft in member fleets are painted in Alliance livery, compared to 40 at oneworld and 26 at SkyTeam. Below is a look at the number and types of aircraft in each Star Alliance member's fleet.



STAR ALLIANCE LIVERIED AIRCRAFT

AIRLINE	NUMBER OF AIRCRAFT	AIRCRAFT TYPE
ADRIA	1	1 CRJ
AEGEAN	1	1 A320
AIR CANADA	2	1 767, 1 A330
AIR CHINA	2	2 A330
AIR NEW ZEALAND	1	1 A320
ANA	5	3 777, 1 767, 1 737
ASIANA	2	1 A321, 1 767
AUSTRIAN	2	1 F100, 1 737
BLUE1	2	2 717
BMI	3	1 A330, 1 A320, 1 E145
BRUSSELS	1	1 A319
CROATIA	1	1 CRJ
EGYPTAIR	3	1 A330, 1 777, 1 737
ETHIOPIAN	1	1 767
LOT	3	1 767, 1 737, 1 E170
LUFTHANSA	9	3 CRJ, 1 A340, 5 F100
SAS	6	3 MD80, 1 A330, 1 737, A340
SINGAPORE	3	3 777
SOUTH AFRICAN	2	1 737, 1 A340
SWISS	2	2 ARJ
TAM	2	1 A320, 1 A330
TAP	2	1 A320, 1 A330
THAI	2	1 747, 1 A330
TURKISH	5	1 A340, 2 737, 2 A321
UNITED	10	2 757, 2 767, 4 777, 1 747, 2 737
US AIRWAYS	4	4 A319

STAR ALLIANCE LIVERIED AIRCRAFT BY TYPE

- B777 – 11
- B737 – 10
- A330 – 9
- B767 – 7
- CRJ SERIES – 5
- F100 – 1
- A320 – 5
- A319 – 5
- A340 – 4
- MD SERIES – 3
- A321 – 3
- ARJ – 2
- B747 – 2
- B717 – 2
- B757 – 1
- E145 – 1
- E170 – 1



1



2



26

6



7



10

PAINTED PLANES LIGHT UP THE SKY

This double spread depicts the specially painted planes of 10 of our member carriers.



11



14

- Turkish Airlines and its Manchester United painted aircraft.
- An Air Canada 777 reflects their sponsorship of the 2010 Winter Olympics.
- One of Blue1's painted aircraft inspired by water.
- Asiana marked their inaugural flight to Paris by painting a B777-200.
- Blue Flow, another of Blue1's painted aircraft.
- LOT painted an Embraer 170 to promote the city of Krakow and the region of Malopolska.
- Austrian painted a Fokker 100 in cooperation with the Austrian Ski Federation.
- An Air Canada A320 shows their support of the Toronto Raptors.
- Turkish's sponsorship with FC Barcelona.
- Air Canada painted an A319 in historic colours.
- An Austrian A321 carried images of some of Austria's most famous countrymen.
- ANA decorated a 767-300 in a panda motif in 2007.
- THAI painted this 747 after the Royal Barge Procession.
- This THAI 747-400 was painted in historic livery.
- A TAP A319 painted in the 2004 European Cup livery.
- LOT honours the 20th anniversary of Poland's independence.
- Asiana promoted the Korean TV miniseries, The Great Jang Geum.
- Air Canada was chosen by U2 to carry them on their 2009 "360 tour".
- Asiana painted this 747-400 to support the Korea National Team.
- TAP painted a 737-300 when Portugal hosted World Expo 98.
- Aegean supported Greek tourism by painting this A320.
- An A320 painted by Aegean with the image of Kori of Athens.
- ANA's Goldenjet was painted to mark the launch of the B737.
- ANA's Pokemon jet started flying in 1998.
- An A320 was painted to mark Air Canada's 65th anniversary in 2002.
- An A321 was painted to mark Air Canada's 70th anniversary in 2007.
- Austrian's A340-300 to promote the Vienna Philharmonic Orchestra.
- TAP painted this aircraft to promote the Algarve tourist area.
- ANA's Mohican 767 returned to Japan's skies after 20 years.
- LOT painted this Embraer 195 to promote Poland and to celebrate Poland's Presidency in the Council of the EU.
- Air Canada promoted Kids' Horizons, a community programme.
- Turkish painted an A320 to bring back memories of the 1960s.
- Asiana promotes the Korean TV miniseries, The Great Jang Geum.



15



18



19



22



23



26



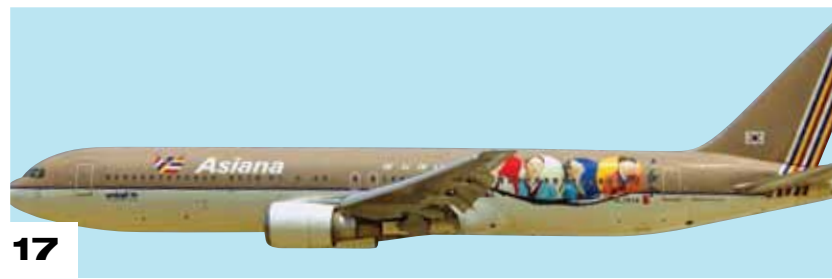
27



30



31



STAR PLUS SEAT UNVEILED

Star Alliance's base economy seat, named the Star Plus Seat, debuted at the annual Chief Executive meeting in Addis Ababa in December. The CEOs of the member airlines got a closer look at the seat, which will enter into some member carrier fleets later this year.

The project, which began in 2008, developed a seat platform that optimises comfort, weight, purchasing cost and operating expense. Ten member airlines participated in the development of the economy seat platform, which has the potential to revolutionise the existing aircraft seat marketplace.

Executives tried out six seats set in two rows

to get the feel of the seat in different configurations.

"When the project began, our member carriers recognised an opportunity in the marketplace to redirect a large amount of their spending to replace existing seats and purchase seats on new aircraft," said Steve Collard, Director, Strategic Sourcing. "This programme significantly reduces the total cost of seat ownership — not only the initial purchase price, but ongoing maintenance and fuel costs — by using innovative, lighter materials and design elements, establishing dedicated production lines and providing a pre-certified catalogue of seat features to meet



THE THREE LAUNCH CUSTOMER AIRLINES FOR THE NEW STAR PLUS SEAT GIVE THE SEATS A TRY AT THE ANNUAL CHIEF EXECUTIVE BOARD MEETING IN ADDIS ABABA.

LEFT TO RIGHT ARE JAAN ALBRECHT, CEO, AUSTRIAN AIRLINES; KONG DONG, CHAIRMAN, AIR CHINA AND CHRISTOPH FRANZ, CEO, LUFTHANSA.



each carrier's requirements," he said.

Collard explained that the project's goal was not to create one seat that all airlines will use, but a seat that allows airlines to modify the branding, styling and features to suit their individual preferences. The objective was to significantly reduce seat weight, purchase prices and maintenance costs while providing customers with optimal comfort.

The seat platform, designed for short- and long-haul aircraft consists of base parts such as the frame and internal mechanisms. Airlines will have a pre-set list of options for the shape of head and armrests, the seat back and the like. A

base and advanced version of the seat are being developed.

It will be available for delivery by late summer. Launch customers are Air China, Austrian and Lufthansa. Austrian has ordered seats for six B767s and four B777s, and Lufthansa has ordered seats for 15 A330-300s and 24 A340-600s. Air China is also in discussion to purchase seats for 10 A330-300s.

B/E Aerospace was chosen as the Alliance's development and manufacturing partner.

The Star Alliance fleet consists of more than 440,000 economy class seats, with a replacement value of well over US\$1 billion.

“When the project began, our member carriers recognised an opportunity in the marketplace to redirect a large amount of their spending to replace existing seats and purchase seats on new aircraft.”

STEVE COLLARD, DIRECTOR,
STRATEGIC SOURCING



RISING FUEL PRICES CREATE URGENT NEED FOR MORE EFFICIENCY

In an industry that strives to make every dollar count, using fuel more efficiently rises to the top of the list.

Towards the end of 2011, the International Air Transport Association (IATA) estimated the airline industry would make a collective profit of US\$6.9 billion in 2011. IATA forecasts that this will fall to \$3.5 billion in 2012. But it warns that the downside risk of the Eurozone crisis failing to be resolved could lead to losses in excess of \$8 billion.

During the year, jet fuel prices rose more than 45% - \$60 billion more than last year.

"Fuel represents one of the highest expenditures for airlines, so it makes sense for Star Alliance to work with its member carriers to help them find further efficiencies," said Michael Muerwald, Fleet Coordinator.

Since 2008, the Alliance has held regular workshops where carriers exchange information, which helps each airline learn from the experiences of every member. "I believe there are still a lot of unexploited saving potentials, but they may be harder to find and exploit now when the more obvious ones have already been ticked off the list," said workshop participant Henrik Jonshammar of SAS. "In that perspective, the cooperation and experience sharing within Star Alliance becomes even more important. The yearly meeting is a true 'vitamin injection' in this work."

Often, a little effort goes a long way. Star Alliance has determined that more than a million kilogrammes of fuel can be saved daily by Alliance member carriers if every airline reduces fuel use

by just 50 kilogrammes per flight. With 20,000 flights each day, airlines can save more than \$1 million each day, and reduce CO2 emissions by some three million kilogrammes daily.

To save fuel, airlines first looked at relatively easy ways to reduce fuel use by removing heavy items such as excess potable water, galley ovens, publications and unused catering. They also reduced use of Auxiliary Power Units (that run generators to provide electricity on board and also provide cabin air conditioning when aircraft engines are switched off), and increased use of single engine taxiing and engine washing. "While these are producing significant results, we're turning our attention to such areas as air traffic management to increase fuel efficiency. There are many examples where airlines could burn less fuel if Air Traffic Control gave permission to use more fuel efficient flight paths," said Muerwald.

Following a fuel efficiency workshop, EGYPTAIR was able to convince Air Traffic Control to increase capacity in Cairo through reduced aircraft separation for arriving aircraft, which resulted in yearly savings of some 4,000 tons of fuel for the member carriers flying into Cairo.

Working hand-in-hand with the Fleet Coordination team is Star Alliance's Fuel Advisory group, which searches for beneficial pricing to help the carriers when they purchase fuel. While there is little room to negotiate jet fuel pricing set by market conditions, there are ways to reduce costs by looking at other cost elements, such as logistics costs and looking at alternative ways to source

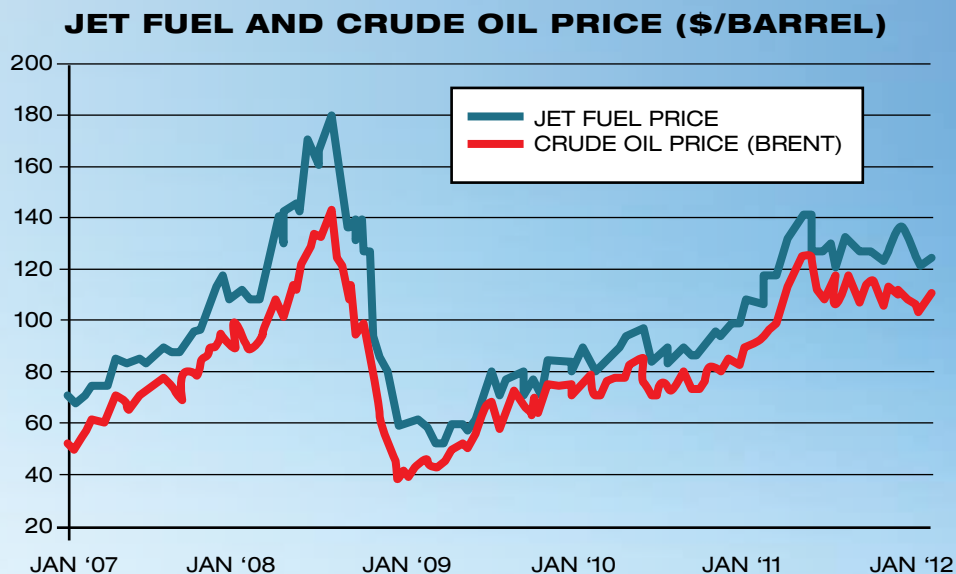


and deliver fuel to the airports.

“The main benefits come from savings generated from the combined purchasing power of the airlines,” noted Tzvetina Tassovska, Manager, Fuel Purchasing. “Through joint fuel purchasing where the volume requirements of the member airlines are combined, a lower price for the delivery of jet fuel to the airports is negotiated.” For instance, one carrier may fly into a market twice a week and pay a premium for fuel, while other carriers fly into the same market more often. By working together, it may be possible to get better deals for both. Star Alliance is delivering annual savings from joint purchasing initiatives of more than \$27 million.

Another area where the Alliance is bringing value to airlines is through jet fuel price hedging where an airline agrees on fixed prices with suppliers for a certain period of time. The Alliance provides a platform for best practice exchange between the risk management experts from the airlines where they can discuss the best strategies, within legally allowed guidelines and in line with antitrust regulations.

“The high cost of fuel is uppermost in the minds of all airline executives. Star Alliance has a significant role to play to help them find better ways to buy the fuel, and more efficient ways to use it,” said Tassovska.



“Star Alliance is the leading airline alliance, and as such our members feel it’s important to work with manufacturers on such things as aircraft specs, parts suppliers and the like to ensure the needs of both are met.”

MICHAEL MUERWALD, FLEET COORDINATOR.

CARRIERS HELP DEFINE NEXT GENERATION NARROWBODY AIRCRAFT

Twelve Star Alliance carriers and eight aircraft manufacturers are beginning to define what the next generation of narrowbody aircraft will look like.

“Star Alliance is the leading airline alliance, and as such our members feel it’s important to work with manufacturers on such things as aircraft specs, parts suppliers and the like to ensure the needs of both are met,” said Michael Muerwald, Fleet Coordinator.

“Airlines routinely evaluate current aircraft and plans for future aircraft to determine how they fit into each airline’s operations,” explained Muerwald. “In the past, our members have worked

through the Alliance to have input into widebody aircraft features, so now the focus is more on narrowbody components to ensure they meet our requirements.”

Muerwald explained that member carriers want the manufacturers to provide choice when it comes to components. Take landing gear and tires, for example. If the manufacturer commits to one supplier, carriers have no choice but to use that supplier for the life of the aircraft regardless of cost. The carriers want the ability to choose suppliers as a way to maintain cost control.

Intellectual property is a similar issue where Star



Alliance can help member airlines convey their message to aircraft manufacturers that the whole aviation industry will suffer if suppliers have to purchase IP rights for newly designed aircraft in order to be able to customise products like in-flight entertainment (IFE) to new aircraft types.

The working group first began working with regional aircraft eight years ago, and later, on detailed evaluations of the B787 and the A350. Their input influenced the development of the A350X-WB to more closely match their requirements. As the project evolved, attention turned to the next generation of narrowbody aircraft. Airbus and Boeing are involved in the current evaluation, along with Bombardier, Embraer, Mitsubishi, Superjet, Irkut and Sukhoi. Muerwald said there is also interest from a manufacturer in re-launching

the Fokker 100-type of aircraft.

“When we looked at the initial plans for the new F-100 aircraft, we suggested the use of pivotal overhead bins typically used in widebody aircraft to increase storage space,” said Muerwald. “It’s one small example of the collaboration our members are engaged in with the manufacturers when it comes to designing common specifications for the aircraft.”

Participants will evaluate other aspects of the narrowbody aircraft, and return with specific recommendation for manufacturers in May 2012. The 2012 meeting will focus on future engine technology and hopefully also see the Chinese aircraft manufacturer COMAC present its narrowbody programmes.

transfer & baggage

TACKLING REMAINING OBSTACLES TO ALLIANCE THROUGH- CHECKIN

The ability to check in once for a series of Star Alliance flights, get all your boarding cards and have your bags seamlessly transferred to your destination is one of the service promises that earns customer loyalty. Customers want a fast, efficient travel experience, and through-checkin (TCI) is the first critical step in delivering on that promise.

With the constant drive to improve connection times and more online checkin, which means passengers are able to check in remotely long ahead of their flight, it is an ongoing challenge to get through-checkin right in all aspects for every customer. This also benefits the airlines, as through-checkin failure not only displeases passengers but costs money.



In 2011, a new standard was implemented to ensure all flights are open for checkin at least 24 hours ahead of departure, ideally longer, as far as this is possible within government regulations. This ensures that a passenger on a long-haul flight can usually be accepted for a connecting leg and removes one barrier to the through-checkin request going through.

“We looked at a series of factors that could cause failures,” said Anita Elste, Manager, Products & Services. “In some cases we could see that the individual policies of different carriers were creating an issue so we worked with the individual airlines to agree on and implement minimum standards.”

A further large component of smooth through-checkin depends on IT systems talking to each other seamlessly. In a series of workshops, which are continuing in 2012 as well, individual member airline pairs have therefore been sitting together to look at real cases where through-checkin did not work, and find out why.

The result has been a series of technical changes to resolve inconsistencies across the network, such as incorrect mappings of data or the non-acceptance by one carrier’s system of data in the specific format provided by another.

“It has been progress by baby steps,” said Elste. “The technical side of delivering the service has to be flawless. We know it works for most passengers most of the time, but that’s not what we are aiming for. Identifying these last outstanding problems is not easy. But the good news is that every time we make a needed change, it can make through-checkin work for hundreds of passengers.”

Star Alliance ad focuses on priority benefits

Star Alliance conducted a marketing campaign in 2011 that highlighted the various priority benefits Star Alliance Gold customers are entitled to as a result of their status. This customer group has priority benefits in three areas: baggage, checkin and boarding.

The ad, which was carried in in-flight magazines and in-flight entertainment, promoted the various ways in which a Star Alliance Gold customer gets priority treatment. In common with other ads in the series, the campaign featured a particular Gold card holder and frequent flyer.

The ad featured Surina Gan Meng Hui, Chief Operating Officer at knitwear supplier Ghim Li Global Pte Ltd. Ghim Li has been in the textile and apparel business for more than 30 years. It has production facilities in seven countries, a workforce of 15,000 and 250 apparel production lines. Some 65 million pieces of knitwear are produced each year.

“As COO of such a company, Surina Gan Meng Hui knows how important her luggage, in which she is carrying all her samples, is to her business travel,” said Ingo Sanchez-Kuhlmann, Manager, Marketing and Brand. “She was therefore a perfect fit for bringing across these benefits.”

The importance of these benefits for customer satisfaction has led Star Alliance to set strong performance in priority baggage delivery as one of its top priorities for 2011.



GETTING PRIORITY BAGS TO PRIORITY CUSTOMERS

Star Alliance Gold customers are the Alliance's premium customers. They fly often and are loyal to the Alliance, therefore it makes business sense to ensure they receive the best service. Priority baggage delivery is one of those services that is a basic Alliance promise, and was a focus for Star Alliance in 2011.

When a premium customer checks in, their bags should be tagged with Priority Baggage Tags and loaded onto aircraft in such a way that they can be retrieved first when the aircraft arrives at its destination.

Operational aspects such as incorrect loading of baggage at the departure station or late arrivals of bags can get in the way of achieving this goal, making a 100% success rate quite hard to achieve. Performance is monitored closely to record errors when they occur in a bid to address these for the future.

Star Alliance is working with airlines to help improve processes that allow priority bags to be loaded and unloaded in a way that leaves no room for error.





Common Baggage Service Facilities take the worry out of waiting

Star Alliance's Common Baggage Service Facilities (CBSF) are a unique way of reuniting customers with their delayed bags. Their efficiency is an advantage for passengers, and also helps airlines to reduce costs by sharing storage space.

The collocation of services allows joint tendering for such items as baggage delivery, repairs, common purchasing of overnight kits, baggage report folders and the like. The CBSF project has also harmonised procedures, service standards and interim payments among carriers to give customers a one-stop service.

There are 19 CBSFs in the network located at major hub airports in Asia, Europe and the Americas.

Transfer Decision Tool

An important piece of software called the Transfer Decision Tool is used at 54 airports, including at those airports with a Connection Centre. The tool, developed by the Alliance in 2002, is a web-based application that highlights "at risk" connections — ones where bags or transfer passengers could miss their onward flight — for action by the carriers.



Common Use Bag Drop speeds check in

In 2011, Star Alliance tested a new concept that promises to smooth out the first phase of the bag check in process. Called the Common Use Bag Drop, or CUBD, the trial at Narita Airport outside Tokyo involved Air Canada, ANA and Asiana, in conjunction with ARINC as the technology supplier. ARINC managed the pilot at no application cost to the participating carriers.

CUBD allows customers to drop their baggage at a single site at checkin regardless of which member airline they are travelling on. While airlines have their own bag drop counters, there is no common product in use with member carriers that accepts bags for multiple carriers on different Departure Control Systems within the Alliance.

A CUBD reduces counter space and could reduce overall manpower costs among the participating carriers. For customers, the International Air Transport Association estimates that this type of bag drop counter can improve passenger processing rates at checkin by 250% over traditional checkin methods.

On the first day of the test, the average passenger took 50 seconds to process, compared to the four minutes it usually takes.

WorldTracer kiosk programme to expand

After successful tests at Copenhagen Airport last summer, Star Alliance plans to expand testing of SITA's WorldTracer baggage kiosks to other cities. The WorldTracer kiosk is another unique Alliance product that speeds up the process of filing a claim for a lost bag after a flight. Normally, a baggage agent at the lost and found counter at the arrival airport works with a passenger to place information into the WorldTracer programme. The kiosk allows customers to enter the information on a kiosk themselves, which eliminates queuing time at the counters.

The kiosk project was developed by SITA, in cooperation with the Alliance to save development costs for the carriers. Star Alliance had direct input into the product development. In return, Alliance members have first right of refusal and favourable pricing while SITA is free to sell the technology on the open market.

The kiosk programme may expand to other airports once SITA develops a new generation of the kiosk. This will include a function to populate passenger information as well as other improvements that passengers view as critical, such as language options other than English.

Star Alliance is also testing a kiosk from Baggage Solutions at Terminal 1 in London-Heathrow. It is being used by eight carriers at the Common Baggage Service Facility. Interim evaluation of 56 users in December showed promising results. Eight-five percent said they would use the system again. On average, the process took just six minutes from start to finish.

Star Alliance Connections continues expansion drive

Star Alliance Connections, or SCC, has expanded to 11 major airports with more expansion planned in 2012. A trial was conducted in 2011 at London-Heathrow, one of the busiest airports in the world with some 760,000 passengers transferring from one Star Alliance member carrier to another. Because LHR is so important to member carriers, the Alliance set up an SCC trial to prove to the UK government authorities that Alliance processes, communication and IT resources are able to meet the strict requirements of the UK Border Authority (UKBA).

SCCs help move late-arriving passengers and bags to their connecting flights, thus avoiding the costs associated with misconnections.

The trial was confined to transfers between two carriers but was later expanded to include all member carriers at Terminal 3. SCC personnel drove a Star Alliance branded baggage vehicle to expedite baggage delivery airside.

A major roadblock was that the UKBA would not allow baggage to be transferred through a shortcut method under certain circumstances. All bags had to have a predictable transfer path when moved to connecting flights. Star Alliance successfully demonstrated to UKBA that the Alliance can allay their concerns about data and transparency.

The SCC became operational in January with a vendor providing services under a long-term contract.

Interline Baggage Transfer Solution

An initiative funded by an outside vendor is the Interline Baggage Transfer Solution, or IBTS. It's a Web application that is used to improve transfer baggage performance at Star Alliance airports by flagging problems before they happen.

The application tracks connection baggage in real time using IATA messaging, identifies procedural shortfalls during the event, warns the operators of impending mishandlings before they happen, suggests potential solutions that are based on the situation at hand, and offers timeframes required to correct a specific situation.

IBTS is designed to be airport specific, and is the first application in the airline industry that will warn of potential baggage mishandlings before they occur. The tool also provides airlines with online statistics about the number and type of bags that are mishandled, and on which flights and dates.



innovative products

INNOVATIVE THINKING BRINGS NEW IDEAS TO THE TABLE

2011 was a big year for innovation at Star Alliance, with a number of initiatives that began as just the germ of an idea starting to take life and become reality. Almost inevitably, the majority of the new initiatives have new technology, or new uses of existing technology, somewhere in their make-up, reflecting the general tendency for deeper integration of services and demand for mobile products.

Current active projects include using tracking technology to allow customers to know the location of their checked baggage, integration of services to make online checkin more accessible across the Alliance and analysis of ways for airports and airlines to improve the way they communicate with their customers as they transit through the airport.

“The biggest learning for the innovation groups is that it takes three things for an idea to work: a good idea, a passionate sponsor and the right timing. The idea has to be relevant to get the right attention to make it happen,” said Jeremy Drury, Director of Innovation at Star Alliance. “This also means that many ideas don’t make it the first

time because the idea owner is ahead of his time. Sometimes it is important to have patience.”

Sponsorship for the emerging ideas comes partly from within Star Alliance itself, but also from working with the right other global names to be able to put a compelling proposition together by leveraging other companies’ expertise in a particular area.

“If we can pick the right partner, who is open to experiment, has the right skills and a business objective complementary to our own, then it’s a winning combination,” Drury said.

One example of such cooperation involves working with BAA (British Airports Authority) in the UK to get innovative customer communications at the airport firmly onto the BAA’s roadmap, which in turn aligns with the concept of the Star Alliance Integrated Terminal.

“We are currently working with some extremely well-known companies, jointly taking an open innovation approach to product development,” Drury said. “It’s too early to talk about the details but I would say that I expect the results to be very exciting indeed for the Star Alliance passenger.”



ACCESSING TRAVEL INFORMATION ON THE MOVE

For customers on the go, accessing travel information and services when they need them has become almost essential. Passengers now expect all the services they can reach via personal computers at home to be accessible wherever they are.

In its latest response to this, Star Alliance released a new mobile website in early 2012, offering users the ability to access information and services using any type of smart phone with Internet access.

“Launch of the site is just the beginning,” said Thomas Sondey, Manager, E-Services. “We plan to build on this new mo-

bile platform with other mobile products over the coming months while continuing to support and improve the downloadable apps for customers who prefer using that method to access travel information.”

The Star Alliance mobile web platform has been developed by SapienNitro, which has also developed mobile products for other member airlines including Aegean and Lufthansa.

The mobile website is complementary to the smart phone apps released in 2011 that allow users to access flight schedules, flight status, airports, lounges, and member airline information.

The FareFinder app, available for iPhone and Android, allows access to member carrier fares. Customers can search for one-way or return

fares for flights between any two airports in the Star Alliance network. The app allows for additional search criteria such as number of passengers, arrival or departure times, class of service, number of stops, transfer airports and point of sale. The app also displays availability so customers can select the airlines they wish to travel on. Customers can then book via the appropriate airline call centre or website.

All apps are available in English as free downloads via www.staralliance.com. The iPhone apps can also be downloaded directly from the Apple App store by searching for “Star Alliance”. Additional language and product enhancement versions are being developed.



SIMPLIFIED INTERLINE SETTLEMENT GOES LIVE

IATA is spearheading a drive to introduce paperless interline billing (electronic invoicing), in line with its elimination of paper tickets. While the airline industry has achieved 100% e-ticketing, the interline billing and settlement process is still using paper-based processes.

More than 200 tons of invoices and supporting documents are shipped between airlines around the world each year. Current processes are loaded with duplicate activities. Even moving to e-ticketing hasn't solved the problem as billings still require paper supporting documents, and much that is not ticket-related is also processed, such as ground handling, fuel, ATC and catering. The resulting cost savings will eventually amount to more than US\$700 million each year for the industry, along with the resulting environmental benefits.

The Simplified Interline Settlement (SIS) project aims to simplify interline billing of passenger, cargo, the Universal Air Travel Programme (UATP), remove paper and deliver tangible financial benefits to the industry. This means electronic invoicing and supporting documents rather than paper and it includes bilateral settlement.

Airlines, including Star Alliance members Adria, Air China and Lufthansa were pilot testing in 2011. Migration started in October for passenger bills, followed by cargo and UATP in early 2012. The goal is to have the entire industry migrated by April, 2013. As expected, the airlines will need to change internal systems and business processes in passenger, cargo and finance areas to migrate to SIS. The investment carriers will make will be balanced by substantial cost reductions.

It's estimated that the majority of member carriers will have removed paper and migrated to electronic invoicing for passengers by early 2012.



AUTOMATED DOCUMENT CHECK AVAILABLE AT MORE CARRIERS

Star Alliance's Automated Document Check (ADC) is now available at Air Canada and Air China, the fifth and sixth airlines to offer the product after launches at ANA, Asiana, Singapore Airlines and THAI.

"Air Canada is an ADC success story," said Jay Dickson, Manager, Products & Services. "They implemented the product in late 2011 at checkin kiosks in Calgary, Montreal, Toronto and Vancouver. It proved so successful that they have expanded the service to four more cities with international locations next on the implementation agenda. The numbers show that customers have really taken to the product."

More than 11,000 Air Canada customers are using ADC each day, which saves the airline unnecessary fines and improves customer experience.

Air China began using ADC in October, and they are seeing about 500 passengers using it each day in two cities - Singapore and Wuhan.

ADC allows customers who check in online, or during traditional agent check in, to verify that their travel documents are valid and complete before their journey begins. Travelling without valid documents can be costly for airlines and embarrassing for passengers who can be turned back upon arrival.

The carriers using ADC are finding significant reductions in fines and associated costs. At Singapore, fines have decreased as much as 94% year-over-year, and customers using Web checkin experience fewer and shorter queues at the airport.

"When the product was first considered for development, airlines told us that there was a real need to find a way to automate the process of determining whether a passenger's travel documents meet the requirements of the countries on the itinerary," said Dickson. "Until then, airport agents had to refer to complicated text, or memorise document requirements for each country to be sure that passengers' documents were valid."

If an agent errs and allows a passenger to fly without proper documents, immigration fines can be levied against the airline, and the passenger may be refused entry into the country. This results in inconvenience and cost to both the passenger and the delivering carrier.

With ADC, travel warnings and conditions associated with the rules of the country are presented in an easy-to-understand format that is then accessed by a carrier's host system and individually tailored for passengers. This is done via a direct link to Timatic, a database containing cross-border passenger document requirements that is managed by the International Air Transport Association (IATA), and contains travel rules for every country.

Once the system checks and confirms documents are in order, there is no need, in most cases, to check them again when the passenger gets to the airport. This helps speed processes, which benefits the passenger and the airline.

the airport experience

STAR ALLIANCE INTEGRATED TERMINAL SETS NEW BENCHMARK

Star Alliance's highly successful Move under one Roof (Muor) concept is entering a new phase that will see a higher degree of service integration and a sophisticated level of cooperation between member carriers. While Muor at some airports involves a simple collocation of airport facilities such as checkin and ticket counters, other airports have progressed to more sophisticated degrees of cooperation through the deployment of common Alliance products, services and strategies.

A higher degree of such cooperation is leading to an integration of processes and systems that the Alliance is calling the Star Alliance Integrated Terminal (SAIT). The concept allows carriers to make broader use of their Alliance cooperation to create an even better airport experience for passengers and improved financial performance for themselves.

The achievement of a Star Alliance Integrated Terminal creates a better passenger experience by:

- Allowing passengers to speed through the terminal using common use automated procedures and most efficient route;
- Enabling seamless handling of Alliance originating and transfer passengers at the first point of contact;
- Harmonising delivery of benefits to premium customers between Alliance partners.

"This higher degree of integration is driven by the need to optimise use of expensive airport facilities and infrastructure," said Lee Hock Lye, Vice-President, Products & Services. "We are noticing that quite a few airport developers and operators are now increasingly planning and designing their new development projects based on Alliance requirements and not just individual airline needs."

Member carriers also benefit from SAIT through cost-savings derived from using common facilities, lower investment needed to achieve the same outcomes, common training, handling, and IT infrastructure, the use of self-service technology to further decrease passenger handling costs, and the differentiating of the Star Alliance experience from that of other alliances.

London's Heathrow Terminal 2 is slated to be the first truly integrated terminal following the new concept.

"The new home for Star Alliance at London Heathrow presents us with an excellent opportunity to turn the integrated terminal concept into a reality," Lee said. "Although many of Star Alliance's products and strategies are already deployed in airports around the world, creating a truly integrated Alliance passenger terminal requires early collaboration with airport developers and airline stakeholders to align processes and infrastructure. We will be using everything we've learned in the last decade of Muor development to create an Alliance Integrated Terminal at the new Star Alliance terminal at London-Heathrow."

SEAMLESS HUB PROJECT:

Incremental steps to a better travel experience

Star Alliance aims to offer a seamless transfer experience to its customers. But sometimes, small issues in the airport transfer process can hinder an otherwise smooth experience. In 2011, Newark (EWR) was chosen as a pilot airport and station managers of all Star Alliance carriers worked together to come up with concrete proposals for improving a passenger's journey.

The longer-term aim was to identify elements of improvement that could be introduced at other airports as well.

"Our headquarter experts are working very hard on global solutions to improve systems and communications among different systems of our member carriers. In addition there are general airport layouts and local restrictions that make a transfer experience through an airport more or less complicated," Susanne McLaughlin, Regional Director Americas for Star Alliance said. "We have developed some great improvements that will only work for EWR but we will be able to apply the general learnings to improve the experience at other hubs as well."

Newark is home to nine Star Alliance carriers

spread across three terminals: A, B and C.

As moving the airlines together to a single terminal was not an option, the work focused on trying to shorten or simplify the process of transferring from one terminal to another.

Pilot projects featuring a Star Alliance arrivals team and a Star Alliance transfer team looking after all Star Alliance transfer passengers are being explored. The project team is also extending the route of an airside bus between the terminals so that passengers do not have to re-enter security.

"We are conducting a post-survey with passengers to see whether they have registered any improvement in their transfer experience at EWR, and if not, hopefully we can pinpoint where the problems lie," said Darren Ngiau, Star Alliance's designated Project Manager for the Seamless Hub project. "The results may also give us new ideas for further steps to take at Newark and elsewhere."

While improvements will continue to be implemented for EWR in 2012, the project is now moving onto PHL and will be rolled out to other U.S. hub airports over the next few years.

The **Seamless Hub Project** is set out to address a series of customer expectations for a journey, from check-in to the safe arrival of both passengers and bags. These expectations are summarised as:

- I only need to checkin once
- My bag is safely transported all the way to my final destination
- I get through customs, immigration and security without undue stress
- My transfer from Carrier A to Carrier B is smooth and straightforward
- I am confident I will be looked after, kept informed and kept safe every step of the way



HEATHROW T2 MOVES CLOSER TO COMPLETION

Star Alliance's new home at London-Heathrow moved steadily towards completion with the latest milestone — a "topping out" ceremony — achieved early in 2012.

The ceremony marked the end of the new terminal's major structural work.

Work on Star Alliance's new terminal started in 2009. It is Heathrow's largest construction project at £2.5 billion and will serve as home to the member carriers flying to Heathrow once it's completed in 2014.

There are two parts to Terminal 2 — Terminal 2A, which is the main terminal building, and Terminal 2B, which is a satellite pier linked to the main terminal by a walkway under the airfield.

Terminal 2A is visually marked by a 54,000 sq. m. roof formed into three waves. The terminal will handle 20 million passengers a year. Terminal 2B, a 522-metre satellite pier, will have 16 boarding gates, shops and restaurants. It will handle some 10 million long-haul passengers each year. The first

phase opened to passengers in 2011, with completion slated for 2013. A second phase, which will see the terminal extended into the existing Terminal 1 site, is slated to open in 2019.

Along with the terminal comes a parking garage with 1,300 spaces on four floors. The construction will also require changes to the area's road system.

"The Star Alliance member carriers are looking forward to moving into our new home here at Terminal 2, Heathrow," said Lee Hock Lye, Vice-President, Products & Services. "Being located under one roof will enable our airlines to deliver seamless alliance travel to our passengers, further enhancing the current airport customer experience. From our new home at Heathrow, Star Alliance will be able to compete on an





equal footing in the alliance arena, something we have been waiting for ever since the opening of Terminal 5," he added.

Heathrow handles 66 million passengers a year of which about 23 million are connecting passengers. For its passengers, Star Alliance is working on reducing minimum connecting times on main transfer routes by 15 minutes.

MAIN: THE ATRIUM IN THE SATELLITE PIER WILL FEATURE SHOPS AND RESTAURANTS, PLUS THREE NEW AIRLINE LOUNGES. FLOOR-TO-CEILING GLASS WALLS WILL FLOOD THE PIER WITH NATURAL LIGHT AND OFFER SPLENDID VIEWS OVER THE AIRFIELD.

LEFT: UNIFORMED STAFF FROM THE MEMBER AIRLINES FLYING TO HEATHROW AND STAR ALLIANCE VP LEE HOCK LYE MARK THE MILESTONE IN FRONT OF THE NEW TERMINAL 2 BUILDING UNDER CONSTRUCTION.



LOUNGES PROVIDE A HOME AWAY FROM HOME

Ask any busy business traveller what the major benefits of Alliance travel are, and it's likely that lounge access will top the list. Airport lounges have increasingly become an important home away from home for international travellers. While most airlines have their own lounges, or contract them, Star Alliance member carriers agreed early in the Alliance's history to build specific Star Alliance lounges at major airports. The members benefit because they can offer their customers much larger lounges with more amenities than they could normally afford on their own, especially in non-home markets where a carrier may have only a few flights a week.

Star Alliance opened the first lounge to carry Star Alliance branding in Zurich, Switzerland in 2001, which has since changed hands to become a Swiss lounge. The success in Zurich was

followed by a similar facility in Nagoya, Japan in 2005. An innovative financing model was introduced in Nagoya, using third-party contractors. This meant there were no upfront costs and no direct costs to build and operate the lounge. In effect, carriers could offer larger facilities with more amenities at less cost and virtually no risk.

In 2007 the lounge in the Tom Bradley International Terminal in Los Angeles opened. It served more than 210,000 customers in 2011 in 1,200 sq. m. of space. The 264-seat facility replaced 12 lounges used by six international carriers in the terminal. In 2013, a new Star Alliance-branded lounge will open in the extended Tom Bradley terminal, and will have a completely fresh look and feel. The lounge will operate under a new business model where one carrier will finance and operate the lounge on behalf of other mem-



ber carriers in the terminal — a move that will improve the customer experience at LAX.

A fourth lounge in Paris's Charles de Gaulle Airport, which opened in November, 2008 is the product of the first subsidiary company created specifically to finance, build and manage the lounge. This S.P.E., or special purpose entity as it is legally known, was created to simplify and facilitate the delivery of projects for the member carriers.

Star Alliance's largest lounge, at 1,650 sq. m. opened in Terminal 1 at London Heathrow in 2010. This interim lounge has more than 300 seats in separate first and business class sections. The lounge is temporary while the new Star Alliance terminal is built. Carriers will move into the new terminal in 2014.

In addition to the departures lounge, bmi, South African and United teamed up to develop an arrivals lounge using the same Star Alliance design in Terminal 1.

Along with lounge construction, Star Alliance has taken steps to make lounge access rules

clearer for customers. Which lounges do Gold-level customers have access to? Can they bring a guest in?

In 2010, the Alliance introduced an online lounge finder on www.staralliance.com. The tool helps customers find their way to any of the lounges, and get at-a-glance information about which lounges they are entitled to access based on the Alliance's global lounge access policy.

Customers can search by city, airport, airline and terminal. They can find the name and type of lounge, as well as the location, walking directions, opening hours, details of amenities and services provided, along with photos and maps.

As carriers around the world come to realise the competitive advantage of lounges, the standard of international lounges continues to improve. Star Alliance will focus heavily on improving the quality of the customer experience in Star Alliance-branded lounges in the coming years, as well as take advantage of new opportunities to extend the presence of these common facilities.





GETTING A LITTLE SAATISFACTION

Relationships give life to the work done at airports. The stronger the relationships between carriers, the better the service to customers. Star Alliance works closely with managers at major airports who organise themselves into SAATs, or Star Alliance Airport Teams. Each SAAT is headed by a coordinator (SAAC), who is typically selected from the home carrier or the carrier with the largest traffic volume at the airport.

In general, a SAAT is established at airports where at least five member carriers operate from, or at other strategic airports where fewer than five operate.

“The SAATs act as our eyes and ears on the ground at major airports, and are instrumental in helping us implement the various products and services that the Alliance has developed on a local level,” said Lisa Yang, Regional Director, Asia/Pacific.

SAAT members participate in regular meetings convened by the SAAC to identify opportunities to improve the customer experience at their airport and to work together to improve passenger and baggage transfers, emergency response, irregular operations, joint facility projects and

overall operational improvements.

“We really depend on the work the SAATs do at the 75 or so airports where the teams have been set up,” said Susanne McLaughlin, Regional Director, Americas. “Because Star Alliance carriers are represented in so many airports around the world, we can’t be everywhere at once, so they act as our eyes and ears on the ground to ensure we maintain consistent delivery of Star Alliance products at every one of them. The SAATs monitor activities and work together to resolve issues and develop local solutions.”

Phoenix is an example of a strategic station that has adopted the SAAT model. SAAC Steve Olson, US Airways Senior Manager Airport Customer Service: “The station managers from United, Continental as well as a representative for Air Canada are meeting and working on improving the travel experience of our mutual customers.”

Taking care of customers at the first point of contact was given a high priority by the team. After hearing that some customers were “ping ponged” back and forth between terminals, the team began additional briefings that have resulted in far more efficient customer handling.

WEBSITES KEEP MANAGERS IN TOUCH DURING IRREGULAR OPERATIONS

When weather and other circumstances force cancellations or delays that affect passengers transferring between Alliance carriers, time is of the essence. Quick communication on the ground can make the difference between a passenger getting rebooked onto a new flight in time, or missing it.

New webpages on the closed Star Alliance Intranet, Webwork, are helping station managers exchange information quickly in such circumstances.

The irregular operations (IRROPS) website was the brainchild of three regional Star Alliance Airport Team (SAAT) workshops, where station managers were asked how the Alliance could improve IRROPS handling at the stations so as to address customer demands for better information.

“From the 25 proposals presented at the workshops, I drilled down and identified 34 major components covering eight areas or categories such as communication, processes, tools, training and the like,” said Matthias Schaub, Manager, Innovation. “One of the components, a local communication tool, was mentioned several times in all three workshops, illustrating a global need.”

As a result, a trial to improve communication using the Webwork infrastructure was created involv-

ing Chicago and Los Angeles, and later expanded to Brussels, Beijing and Newark.

The pages contain local airline contacts and general IRROPS procedures, and let airline managers post messages about the irregularity. It also contains a link to the Transfer Decision Tool, which displays real-time transfer passengers and baggage information as well as flight arrival times and gates. Messages are generally short, and managers receive email notifications when new postings are made to the site.

“The tool is an excellent way to keep partner airlines updated on operational status,” said United’s Jeffrey Leifer, Manager, Terminal 5 Airport Operations, Chicago. “It’s also a great way to simply share forecasted normal or IRROPS for hub operations that are often impacted by weather and air traffic delay programmes. It provides participating partners with the ability to know what to expect from interline Alliance connection traffic. I believe with continued use, there are many more opportunities for this tool to provide improved communication and service to our shared customers.”

Star Alliance plans to expand the voluntary use of the website to other stations.



EXAMPLES OF MESSAGES THAT APPEAR ON THE IRROPS WEB PAGE:

- Forecast for today into tomorrow includes snow accumulation and sleet at some points. A schedule reduction is planned to mitigate customer and operational impact. At this point, about 40 cancellations for UA and UAX combined.
- As of today, our LX lounge in T-5 is closed for reconstruction, with scheduled re-opening on 29MAR11. Passengers travelling on LX009 are invited to go to the WFS (Worldwide) Lounge at T-5 by gate M-11.
- The thunderstorm approaching ORD will bring reported wind gusts up to 50 mph and the possibility of large sized hail. Please prepare your departments as much as possible now. The ramp will close at any minute. The lightning is imminent. We are in a Tornado Watch. The possibility exists of having to move passengers within the concourses. Please be prepared.

employee connection

THREE CEO AWARDS GIVEN FOR OUTSTANDING CONTRIBUTIONS

Three Star Alliance CEO Awards, handed out at December's executive board meeting in Addis Ababa, went to teams and individuals for their outstanding and unique contributions in supporting the Alliance in its goal of securing long-term profitability for member carriers by driving projects and initiatives that are focused on high-value international travellers.

ABOVE: Former Star Alliance CEO Jaan Albrecht presented the CEO Award to United's Mike Cerletti on behalf of the Los Angeles Star Alliance Airport Team (SAAT) for improving Star Alliance-to-Star Alliance baggage transfers, reducing lounge costs and other achievements that resulted in savings of US\$3.5 million. **TEAM MEMBERS ARE:** Alioune Sow, Air Canada; Barry Mann, Air China; Stefan Lau, Lufthansa; Robert Bedrick, SWISS; Richard Ide, ANA; Sheila O'Neil, Air New Zealand; Ralph Myers, Asiana; Kyle Lam, Singapore; Knott Kehoe, THAI; Mike Cerletti, United; David Blakley, US.

ANDRE SCHULZ OF LUFTHANSA accepted the CEO award on behalf of the Star Alliance Qualified Auditors Team for supporting the goal of consistent delivery of the Star Alliance Assets & Components. The members supported the audits and the development of the compliance concept. The team members are: Andre Schulz, Lufthansa; Kingchoy Leong, Singapore; Rainer Kuehner, SWISS; Kurt Szauerzopf, Austrian; Katie Russell, United; Luis Gonzales, bmi.

DEBRA HALL FROM UNITED received an individual CEO Award for her consistent "can do" approach to Star Alliance corporate projects. Hall is recognised by United's field sales and the other carrier teams as the "go to" expert in this field. She has worked to make Corporate Plus a collective Alliance success. As the longest standing member of the Star Alliance corporate group, Hall's efforts to further strengthen United and Star Alliance's position in the marketplace are reflected in this award. She is one of the main drivers of the entire sales co-operation between members.



BRUSSELS, LOS ANGELES, NAGOYA AIRPORT TEAMS WIN ACHIEVEMENT AWARDS

Three Star Alliance Airport Teams (SAAT) won awards in 2011 for their work in 2010 supporting Star Alliance projects.

BRUSSELS SAAT: In Europe, Brussels won the European SAAT of the Year award. The Brussels SAAT is considered by the Alliance to be the most active in the Europe/Middle East/Africa region, and is usually the first to start new projects and to volunteer to host pilot projects. Move under one Roof at Brussels was a major project for the team, which negotiated with the airport authority to move the Alliance's current and future members into a prime location.



STANDING FROM LEFT: GISELE MEYNAERTS, US AIRWAYS; PATRICK HERENG, UNITED; CARINE SIOULANTS, SWISS; BERTRAND VANDEN BROECK, ADRIA; FRANZ W. KIEFFER, CONTINENTAL; ANNE DEPELSENEER, SAS/BLUE1; ANDREAS NAUJOKS, STAR ALLIANCE REGIONAL DIRECTOR; MIA GOORIS, LUFTHANSA; TOM CAUBERGS, CROATIA; SHAHIRA MAHDY, EGYPTAIR; STEFAN KETELE, TAP; ANDRZEJ ALEKSANDROWICZ, LOT; NURI BASARAN, TURKISH. **KNEELING, FROM LEFT:** CHANTAL MOREAU, AIR CANADA; GIANNIS LYMPEROPOULOS, AEGEAN; ANDREA D'HAESELEER, BRUSSELS. **ABSENT:** JULIA MERCHANT, BMI.

LOS ANGELES SAAT: The Los Angeles SAAT was named American SAAT of the Year. The LAX SAAT explored opportunities for the Alliance in the Tom Bradley International Terminal's west expansion, implemented a range of projects to help improve efficiencies and earn customer loyalty for the Alliance.



FROM LEFT: CESAR PINA, COPA; RALPH MYERS, ASIANA; KHUN PONGSATORN, THAI; KNOTT KEHOE, THAI; YOUSSEF SAIB, AIR CANADA; BARRY MANN, AIR CHINA; SHEILA O'NEILL, AIR NEW ZEALAND; MIKE CERLETTI, UNITED AIRLINES AND TEAM COORDINATOR; ELSA GOODMAN, US AIRWAYS; RICHARD BLAKELY, US AIRWAYS; CEM CIRACI, TURKISH AIRLINES; CARLOS OLMEDO, AVIANCATACA; KYLE LAM, SINGAPORE AIRLINES. **MISSING:** ANA, CONTINENTAL, LUFTHANSA, SWISS.

NAGOYA SAAT: The SAAT in Nagoya, Japan won for the Asia region. The team developed a more attractive Star Alliance lounge while decreasing the per person cost, and increasing the number of customers by 10,000. It also renewed the license agreement between the SAAT member carriers, conducted Star Alliance brand awareness activities, held a Star Day to promote the Alliance, and held an open house for the Star Alliance lounge.



FROM LEFT: ANEK PHOOTENG, THAI; KITTI CHINPRAHASTA, THAI; ANDY KOH, ACCEPTING FOR SINGAPORE; KYUNGHEE MIN, ACCEPTING FOR ASIANA; LEE HOCK LYE, VP, PRODUCTS & SERVICES, STAR ALLIANCE; TOSHIRO TANAKA, LUFTHANSA; MAYO OKABE, ACCEPTING FOR CONTINENTAL; ZHANG ZHIWEI, ACCEPTING FOR AIR CHINA; KAZUYA UESUGI, ANA AND SAAT COORDINATOR. **ALSO RECEIVING THE AWARD:** ANDY TAY, SINGAPORE; WANG JIAN, AIR CHINA; TOSHIRO SATO, CONTINENTAL; SANG BEOM KO, ASIANA.

LEARNING NETWORK LAUNCHED FOR ALLIANCE EMPLOYEES

In May, Star Alliance launched its Learning Network, a growing set of training courses that can help employees at the member airlines better understand the Alliance and serve customers better.

At launch, the Network comprised 10 e-learning modules, ranging from a general introduction to the Alliance to training for frontline staff on how to respond in an emergency. The modules complement training offered by the individual airlines, focusing on common themes such as the importance of safety, and on concepts that are fundamental to the Alliance, such as the benefits and experience delivered to holders of Star Alliance Gold cards.

“The Learning Network helps ensure that employees have a clear and consistent understanding of what Star Alliance is all about, and the benefits to customers,” said Carina Roennfeld-Peters, Director of Training. “That in turn means that customers have a more consistent Alliance experience regardless of which individual carriers they may fly with.”

The plan longer-term is to expand the Learning Network to include classroom training courses, typically used for themes where group learning makes more sense and especially in cases where it is important to learn how to think a problem through.

“The pressure of schedules means learning is too often seen as a luxury, an additional cost that simply keeps employees

away from their usual duties,” Roennfeld-Peters said.

“The creation of the Learning Network is just one component in a wider drive to underline that training is an investment, is motivational and helps people perform better.”

To support this, Star Alliance has started to move to different ways of measuring the impact of its modules.

“We are going from measuring usage to measuring impact,” Roennfeld-Peters said. “We want to understand whether people find what they have learned genuinely useful and whether it is helping them in their daily work.”



A further popular way for employees to learn about Star Alliance is through the Star Alliance Marketplace. Marketplaces are held for employees at major airports around the world as a way to help them learn more about the Alliance and its products and services.

These provide a good opportunity to have questions answered during one-on-one

time with representatives from Star Alliance. The day-long “open houses” allow employees to drop in during breaks, play games that help them understand the Alliance, and take away reading and reference material. In 2011, such Marketplaces were held for Philadelphia and San Francisco airport staff.

As one employee told Star Alliance staff, “This was a great reminder of things you forget when working for one carrier only. There was lots of information presented in a fun way.”



A FIVE-YEAR OVERVIEW

	Revenue Passenger km in billion	world share %	Passengers carried in million	world share %	Revenue billion \$ US	world share %
2006	926	29.1%	433	28.1%	123.4	29.3%
2007	926	29.3%	433.4	28.1%	123.4	29.3%
2008	1,205	26.4%	591.7	24.9%	170.9	28.2%
2009	1,189	26.4%	579	25.1%	160.0	28.8%
2010	1,370	26.1%	726	24%	181.0	28.6%

ALLIANCE MEMBERS - 2011



STAR ALLIANCE

- Adria Airways
- Aegean Airlines
- Air Canada
- Air China
- Air New Zealand
- ANA
- Asiana Airlines
- Austrian
- Blue1
- Bmi
- Brussels Airlines
- Continental Airlines
- Croatia Airlines
- EGYPTAIR
- Ethiopian Airlines
- LOT Polish Airlines
- Lufthansa
- Scandinavian Airlines
- Singapore Airlines
- South African Airways
- Spanair *
- SWISS
- TAM
- TAP Portugal
- THAI
- Turkish Airlines
- United
- US Airways

- FUTURE MEMBERS:
- Avianca-TACA
 - Copa Airlines
 - Shenzhen Airlines



- American Airlines
- British Airways
- Cathay Pacific
- Finnair
- Iberia
- JAL
- LAN
- Malev
- Mexicana
- Qantas
- Royal Jordanian
- S7 Airlines

- FUTURE MEMBERS:
- Air Berlin
 - Kingfisher Airlines **
 - Malaysia Airlines

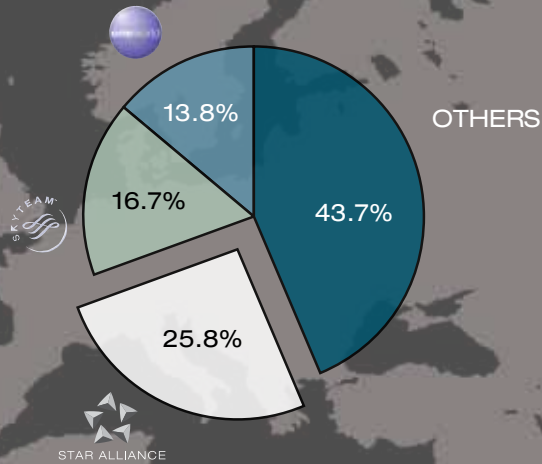


- Aeroflot
- Aeromexico
- Air Europa
- Air France – KLM
- Alitalia
- China Airlines
- China Eastern
- China Southern
- Czech Airlines
- Delta Air Lines
- Kenya Airways
- KLM
- Korean Air Lines
- Tarom
- Vietnam Airlines

- FUTURE MEMBERS:
- Aerolineas Argentinas
 - Garuda Indonesia
 - MEA
 - Saudi Arabian Airlines
 - Xiamen Airlines

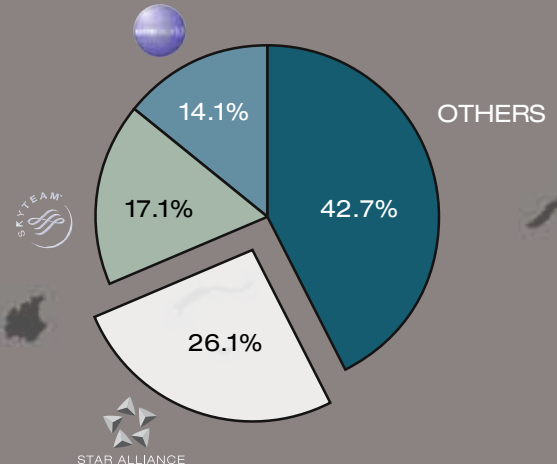
* Spanair left Star Alliance in January, 2012.
 ** Kingfisher has delayed its joining of oneworld

AVAILABLE SEAT KILOMETRES 2011



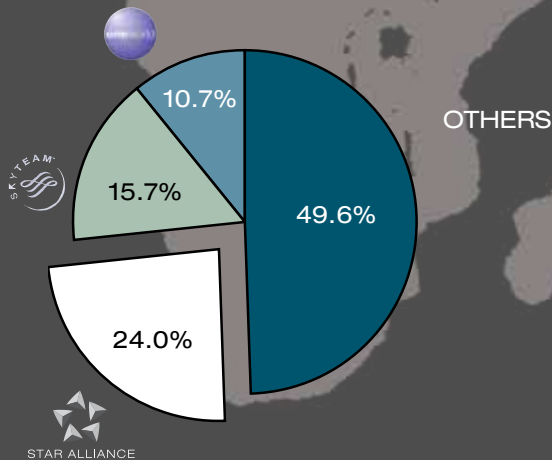
	Star Alliance	SkyTeam	oneworld
in billion:	1,740	1,128	931

REVENUE PASSENGER KILOMETRES 2011



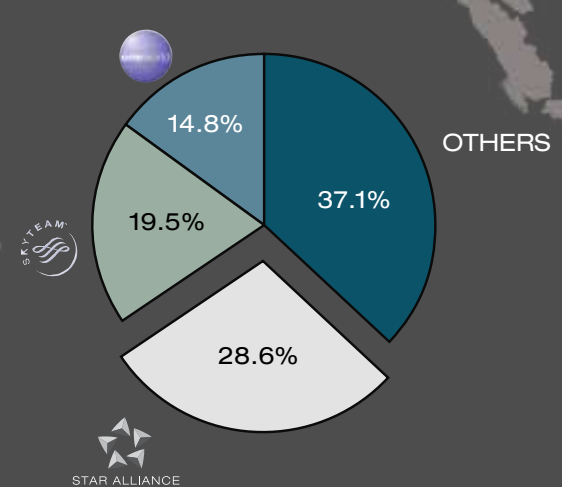
	Star Alliance	SkyTeam	oneworld
in billion:	1,370	897	741

GLOBAL PASSENGER SHARES 2011



	Star Alliance	SkyTeam	oneworld
in million:	726	475	325

OPERATING REVENUE SHARES 2011




	Star Alliance	SkyTeam	oneworld
\$US billion:	181	123	94

NETWORK OVERVIEW Q4 | 2010 - TRAFFIC AREAS

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Countries	Airports	Daily departures	Daily codeshare flights
189	1,290	20,835	27,730

 STAR ALLIANCE	North America	Central America & Caribbean	South America	Europe	Middle East	Africa	Asia	Oceania
Airports	393	49	104	308	28	121	237	50
Daily departures	10,174	87	991	5,368	127	631	2,870	587

2010-2011 CAPACITY SHARES WITHIN TRAFFIC AREAS

Data reflects capacity offered in the year to June 30, 2011

North America

Star Alliance	32%
oneworld	14%
SkyTeam	19%
Others	6%

Central America & Caribbean

Star Alliance	0%
oneworld	3%
SkyTeam	3%
Others	92%

South America

Star Alliance	28%
oneworld	13%
SkyTeam	0%
Others	31%

Europe

Star Alliance	22%
oneworld	8%
SkyTeam	12%
Others	14%

Middle East

Star Alliance	1%
oneworld	5%
SkyTeam	0%
Others	68%

Africa

Star Alliance	37%
oneworld	4%
SkyTeam	8%
Others	48%

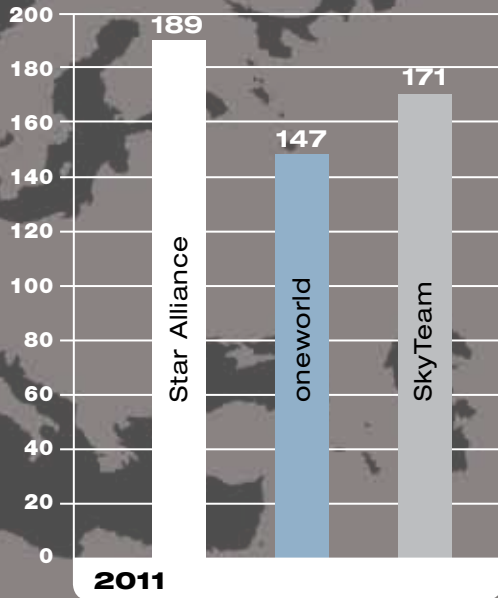
Asia

Star Alliance	21%
oneworld	9%
SkyTeam	19%
Others	39%

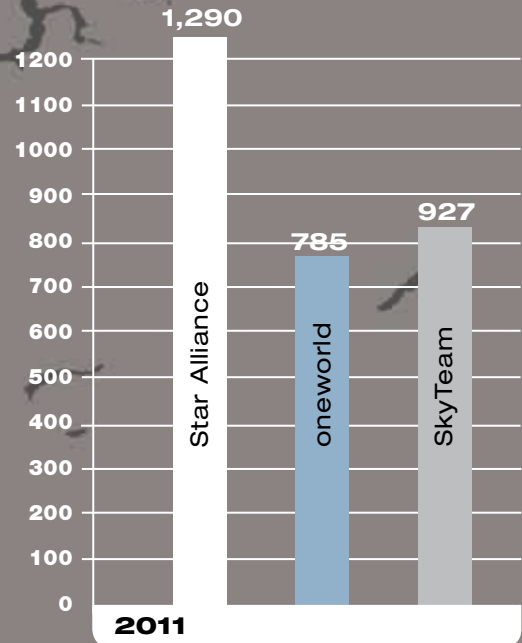
Australasia

Star Alliance	32%
oneworld	14%
SkyTeam	20%
Others	34%

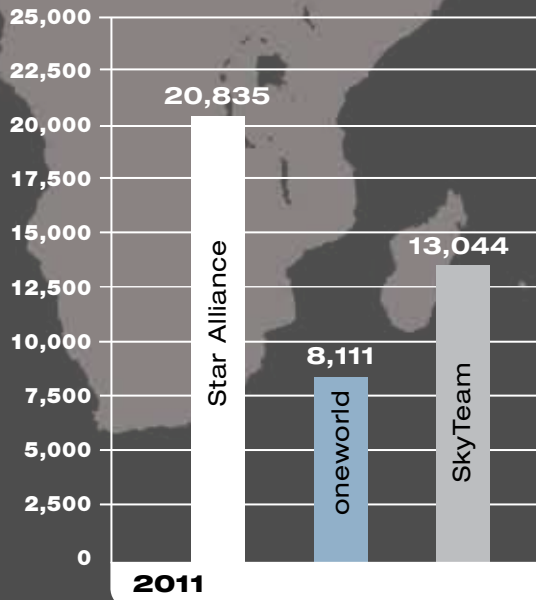
COUNTRIES SERVED BY ALLIANCE



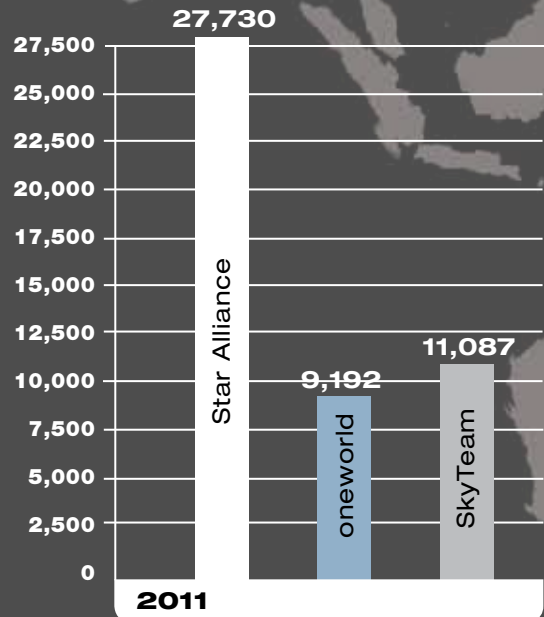
AIRPORTS SERVED BY ALLIANCE



DAILY DEPARTURES BY ALLIANCE



DAILY CODESHARE FLIGHTS BY ALLIANCE



Responsible

Christian Klick, Vice-President,
Corporate Office

Janet Northcote, Director,
Internal Communication

Editorial, Art direction and Layout

Garry Bridgewater, Editor
Sherana Productions

Rachel Niebergal, Peridot Design Inc.,
Calgary, Canada

Photography

Star Alliance member airlines
Star Alliance staff
Ted Fahn
Melanie Bauer
Frank Socha
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