



Alaska Air Group

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Bank of America Merrill Lynch 2015 Transportation Conference

Alaska[®]

Safe Harbor

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's estimates, expectations, beliefs, intentions, and strategies for the future, and are not guarantees of future performance. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Please refer to the risk factors described in Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

We are safe...

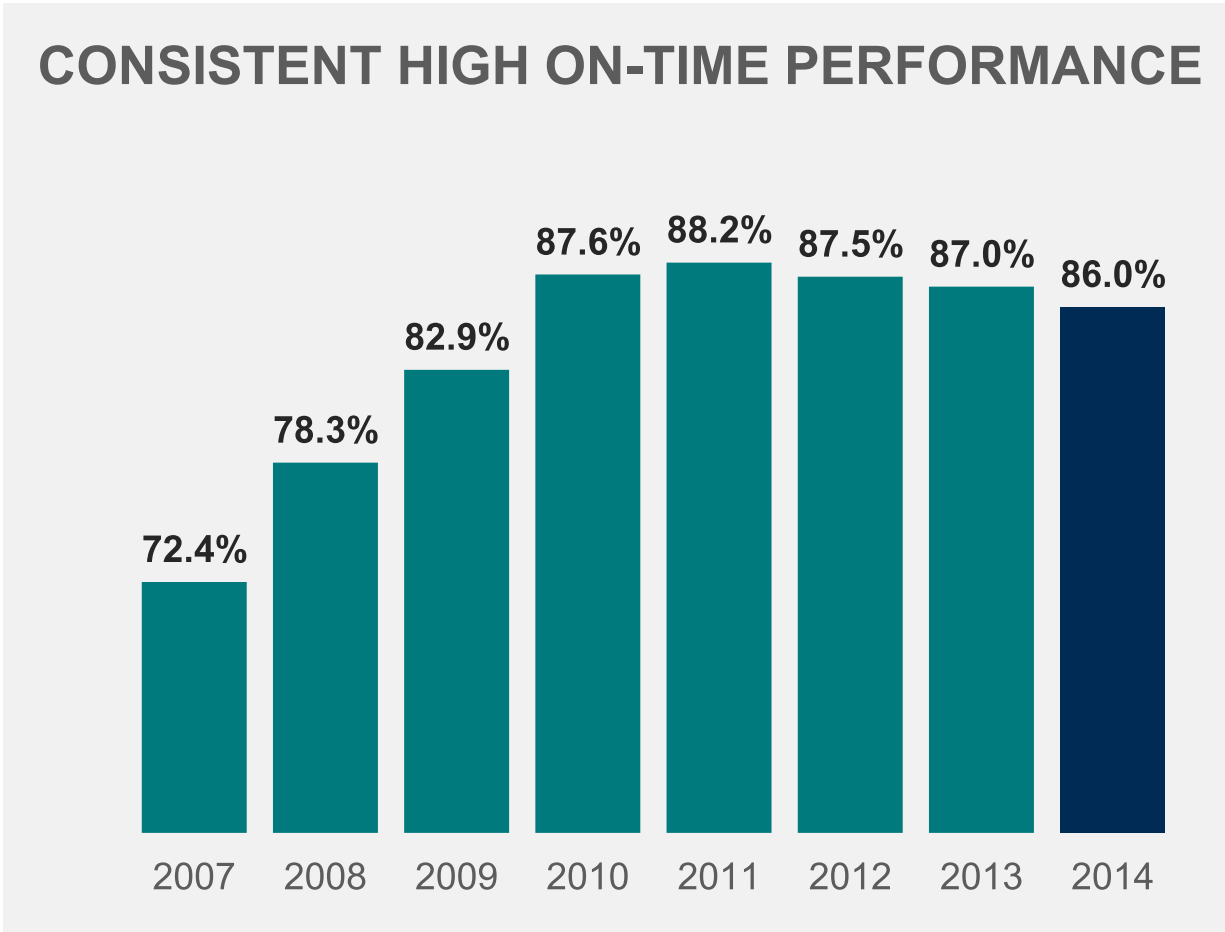


We are on-time...



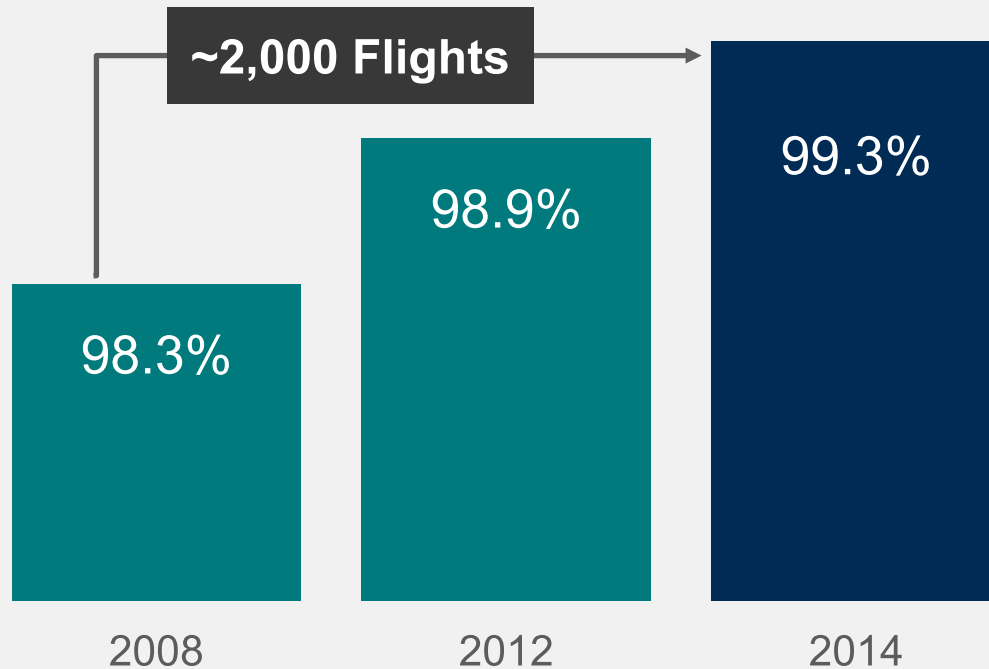
Alaska

We have led the industry in on-time performance...



...and several other key operational metrics

INDUSTRY-LEADING COMPLETION RATE



FIRST AIRLINE WITH A 20 MINUTE BAG GUARANTEE



We have been ranked #1 airline by The Wall Street Journal on key operational and customer metrics two years in a row

2014 Airline Scorecard | Rankings of major carriers in key operational areas, best to worst.

RK	Overall rank	On-time arrivals	Canceled flights	Extreme delays	2-hour tarmac delays	Mishandled baggage	Involuntary bumping	Fewest Complaints
1	Alaska	Alaska	Virgin Amer.	Alaska	Southwest	Virgin Amer.	Virgin Amer.	Alaska
2	Virgin Amer.	Delta	Frontier	Delta	Alaska	Frontier	jetblue	Southwest
3	Delta	Virgin Amer.	Alaska	Virgin Amer.	Frontier	jetblue	Alaska	Delta
4	jetBlue	jetblue	Southwest	Southwest	Virgin Amer.	Delta	Delta	Virgin Amer.
5	Southwest	American	Delta	jetBlue	Delta	Alaska	American	jetblue
6	Frontier	Frontier	jetblue	Frontier	jetblue	American	Southwest	American
7	American	Southwest	American	American	United	United	Frontier	United
8	United	United	United	United	American	Southwest	United	Frontier

Sources: On-time and canceled flights data for full year 2014 from masFlight. Includes regional affiliate flights. Extreme delays, which are 45 minutes or longer, compiled by FlightStats Inc. Two-hour tarmac delays, mishandled baggage, and consumer complaints from Department of Transportation based on 12 months ended in November. DOT involuntary-bumping data 12 months through September.

The Wall Street Journal

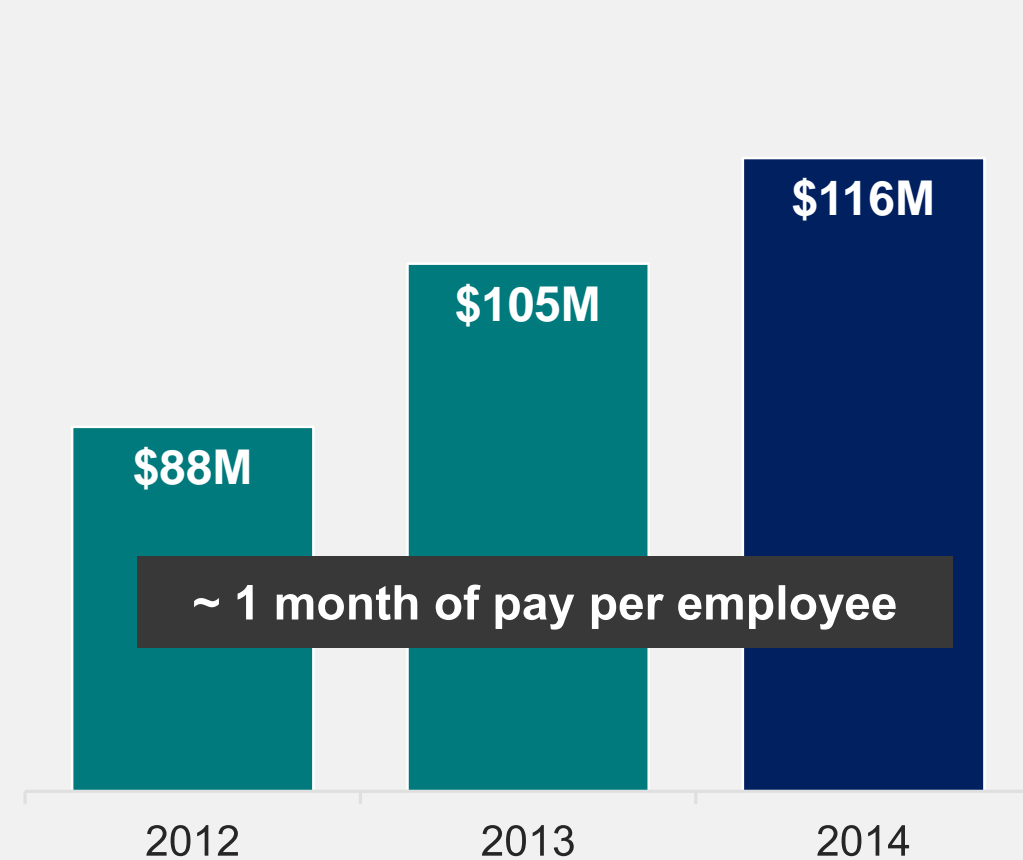
THE WALL STREET JOURNAL.

Alaska Airlines #1 two years running,
ahead of biggest U.S. carriers

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Our people are aligned with the company...

COMBINED INCENTIVE PAY



PERFORMANCE BASED PAY

- 70% Profit
- 10% Cost Ex-fuel
- 10% Customer Satisfaction
- 10% Safety

OPERATIONAL PERFORMANCE REWARDS

- On-time Performance
- Customer Satisfaction Goals

And they are taking great care of our customers



We have been ranked #1 in customer satisfaction by J.D. Power for the 7th year in a row ...



“HIGHEST IN CUSTOMER SATISFACTION
AMONG TRADITIONAL CARRIERS IN NORTH AMERICA,
SEVEN YEARS IN A ROW”



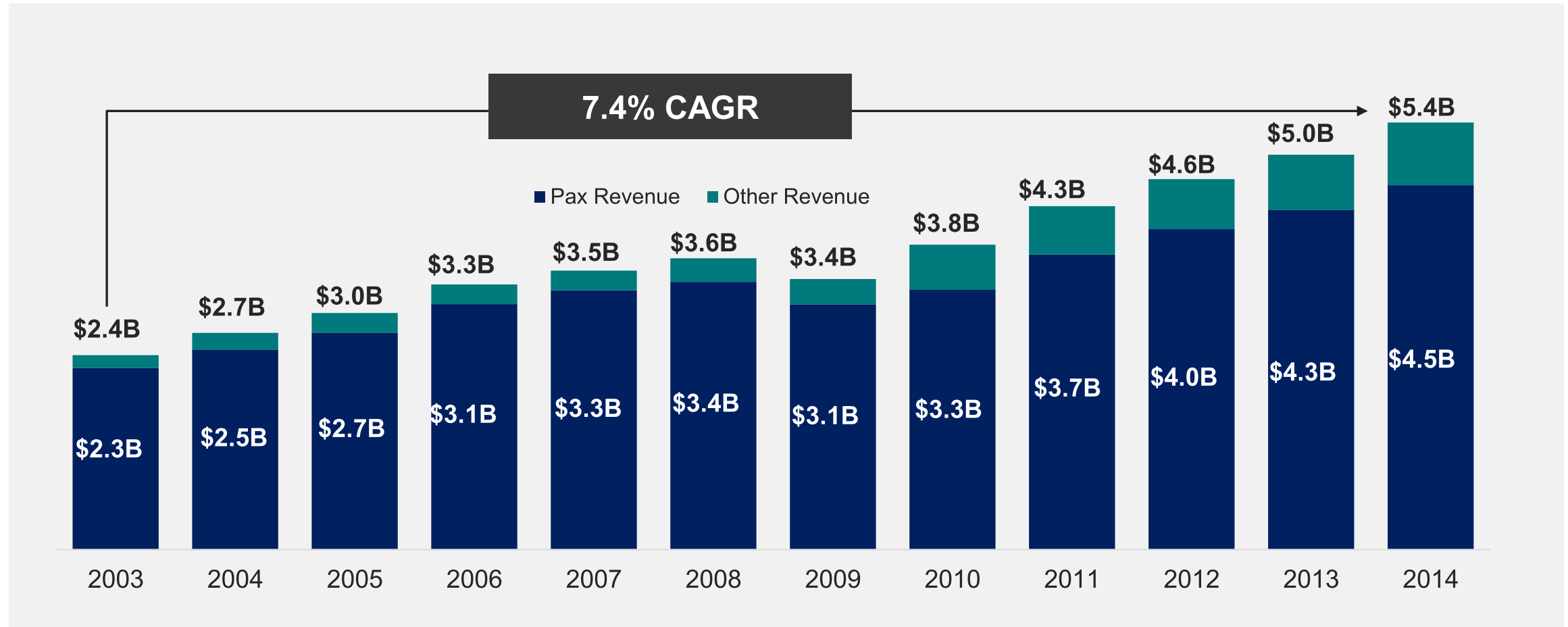
We have been ranked #1 in customer satisfaction by J.D. Power for the
7th 8th year in a row ...



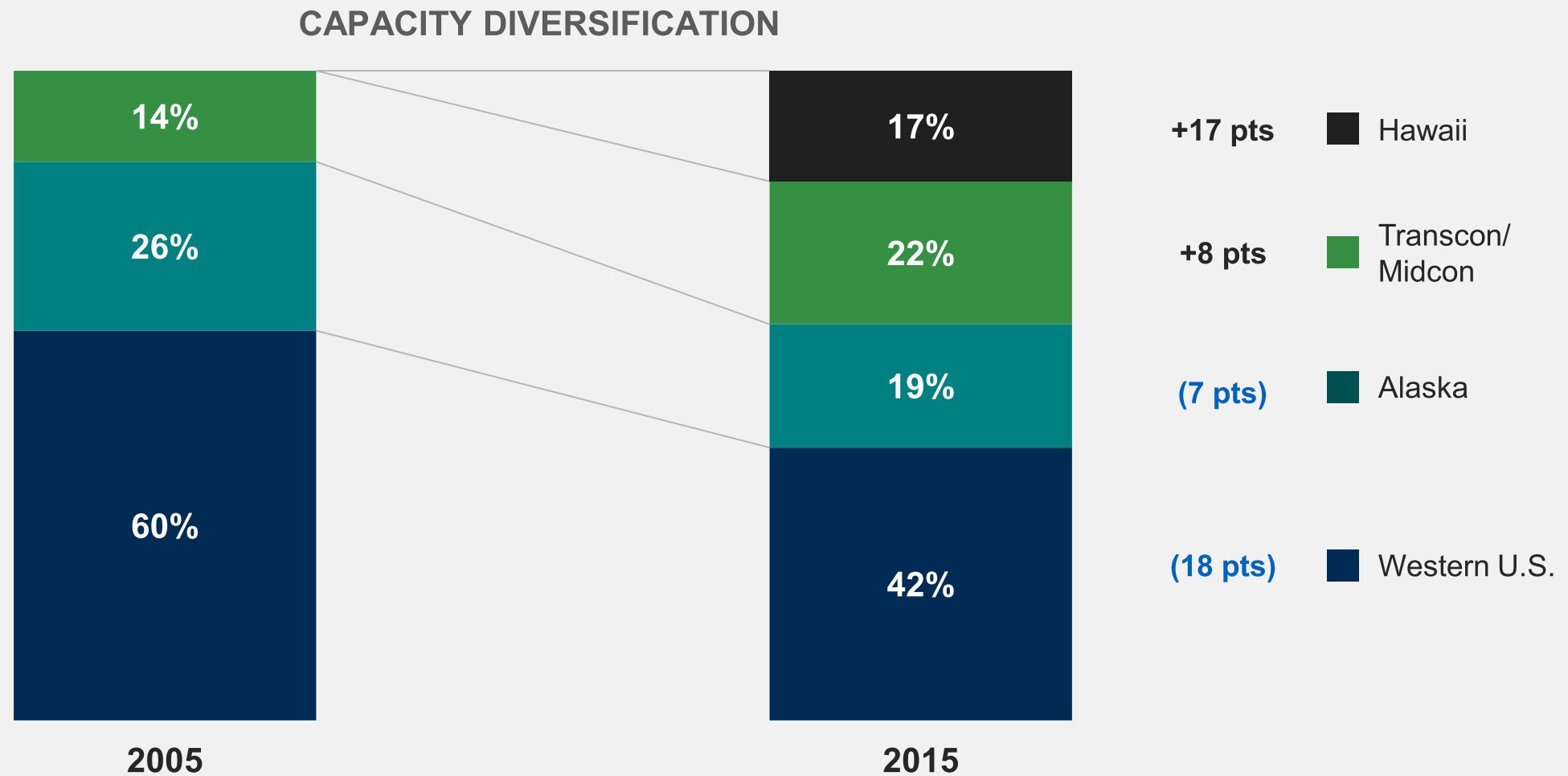
“Highest in Customer Satisfaction
Among Traditional Carriers in North America,
Eight Years in a Row.”



These strengths have helped us more than double our revenue over the last 12 years...

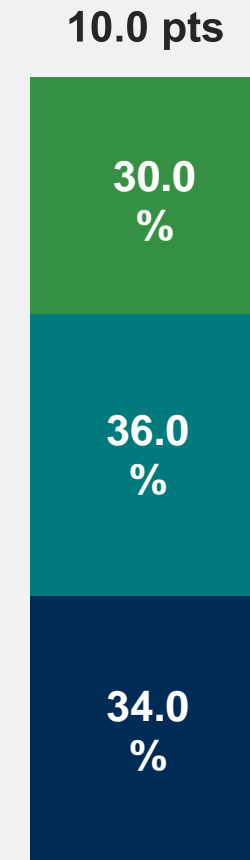
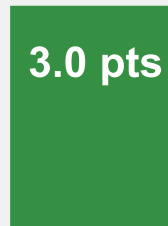
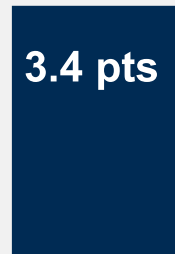


...and diversify our revenue base

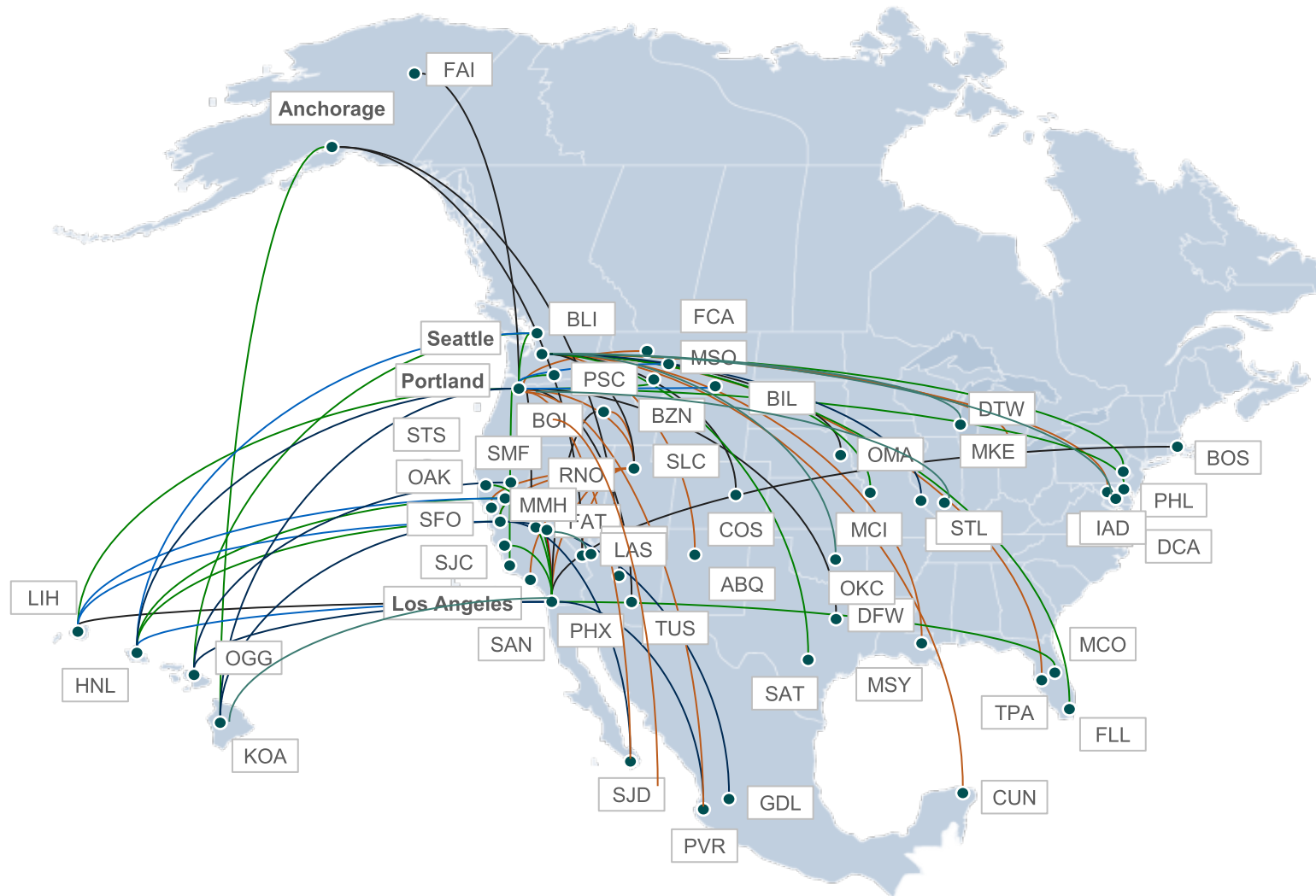


We are adding capacity to strong core markets and creating new revenue streams...

■ NEW MARKETS ■ CORE MARKETS ■ GAUGE/STAGE



...and improving our network utility



15 New Markets in 2010

6 New Markets in 2011

19 New Markets in 2012

15 New Markets in 2013

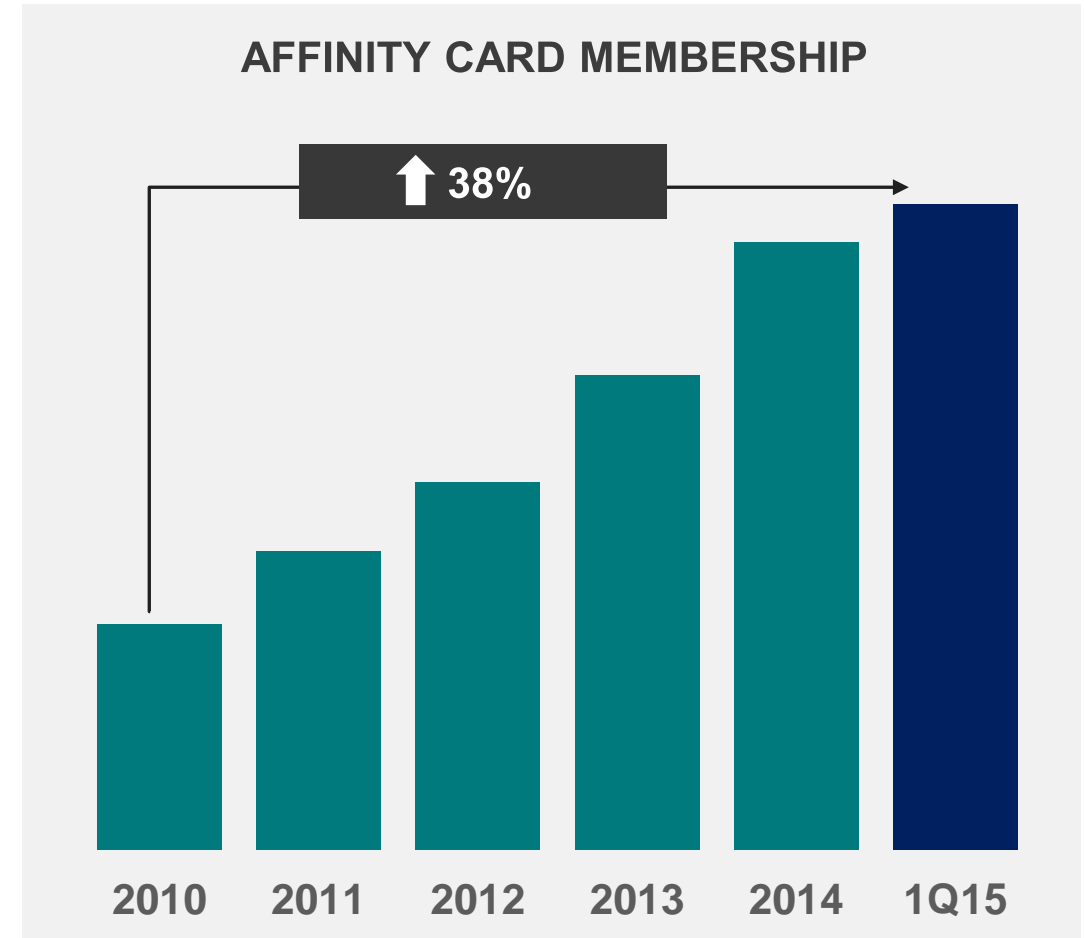
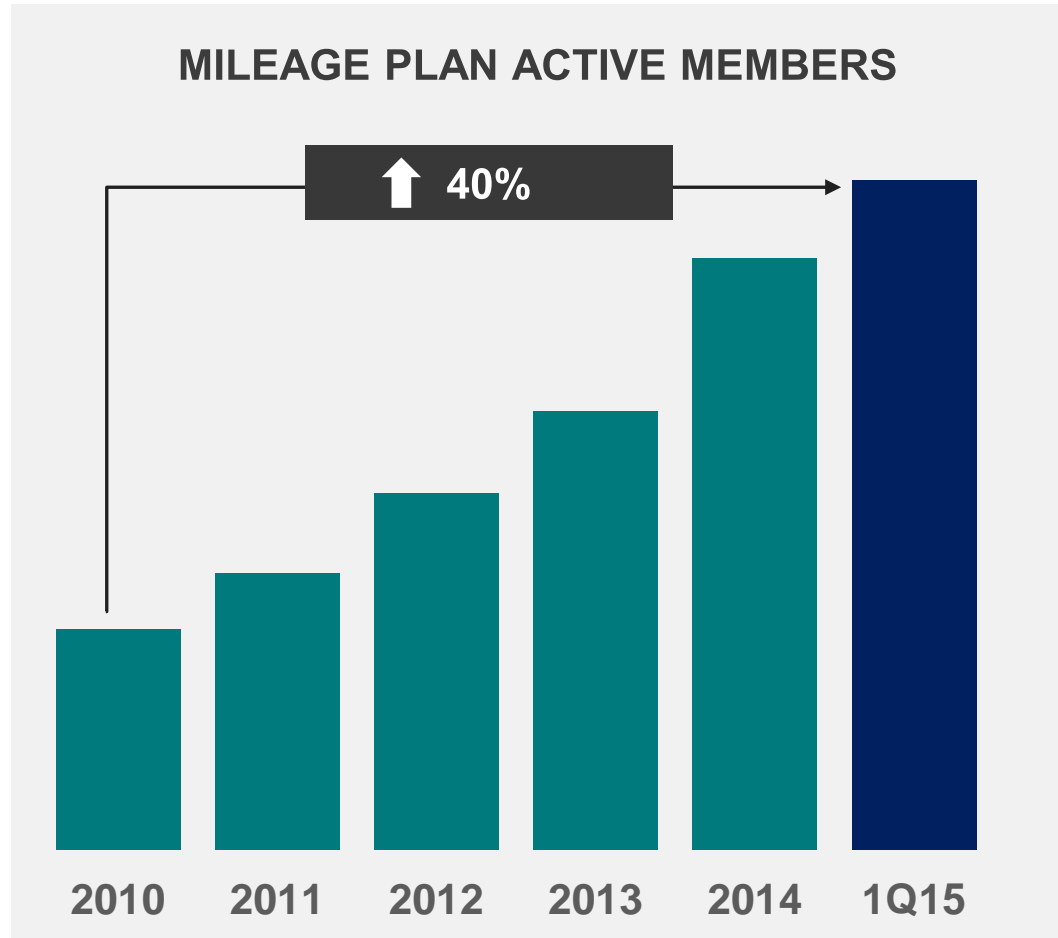
15 New Markets in 2014

16 New Markets in 2015*

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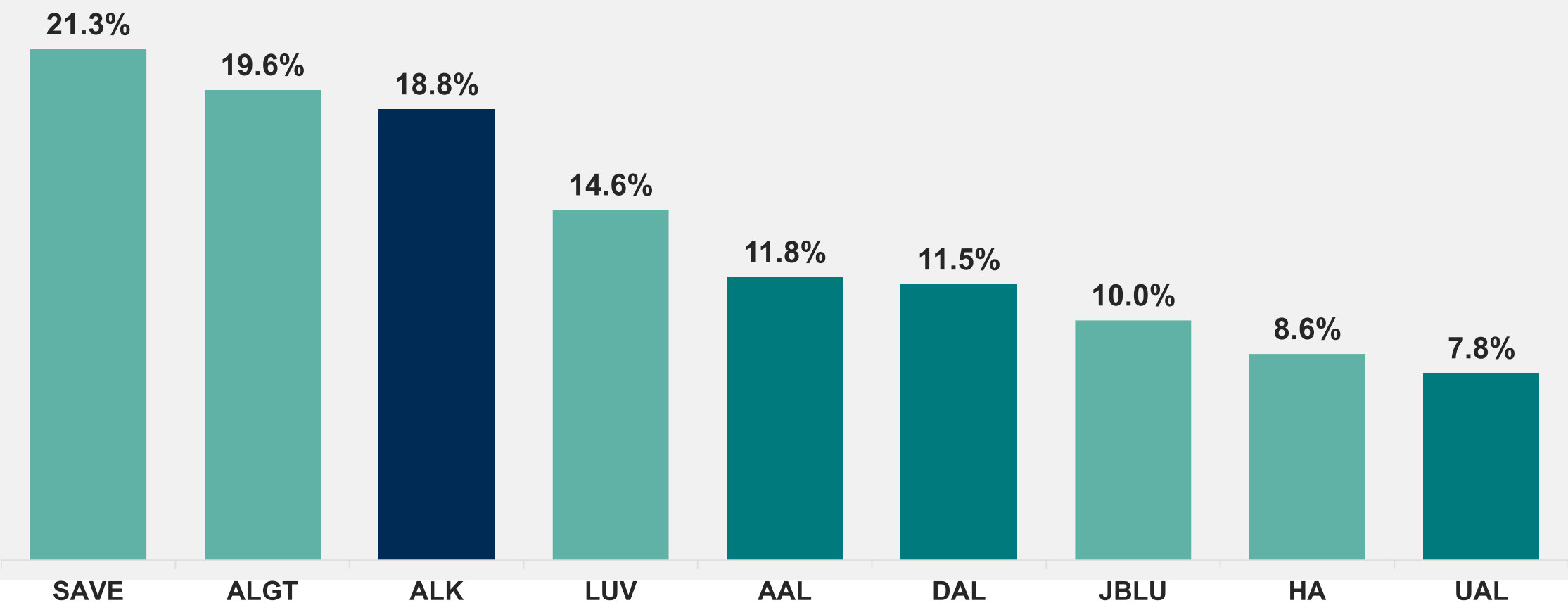
3 new markets launched so far in 2015, 16 includes all the public announcements

Our loyalty program and affinity card memberships have also grown by ~40% in the last 5 years and continue to grow



Our returns are consistently at the top of the sector

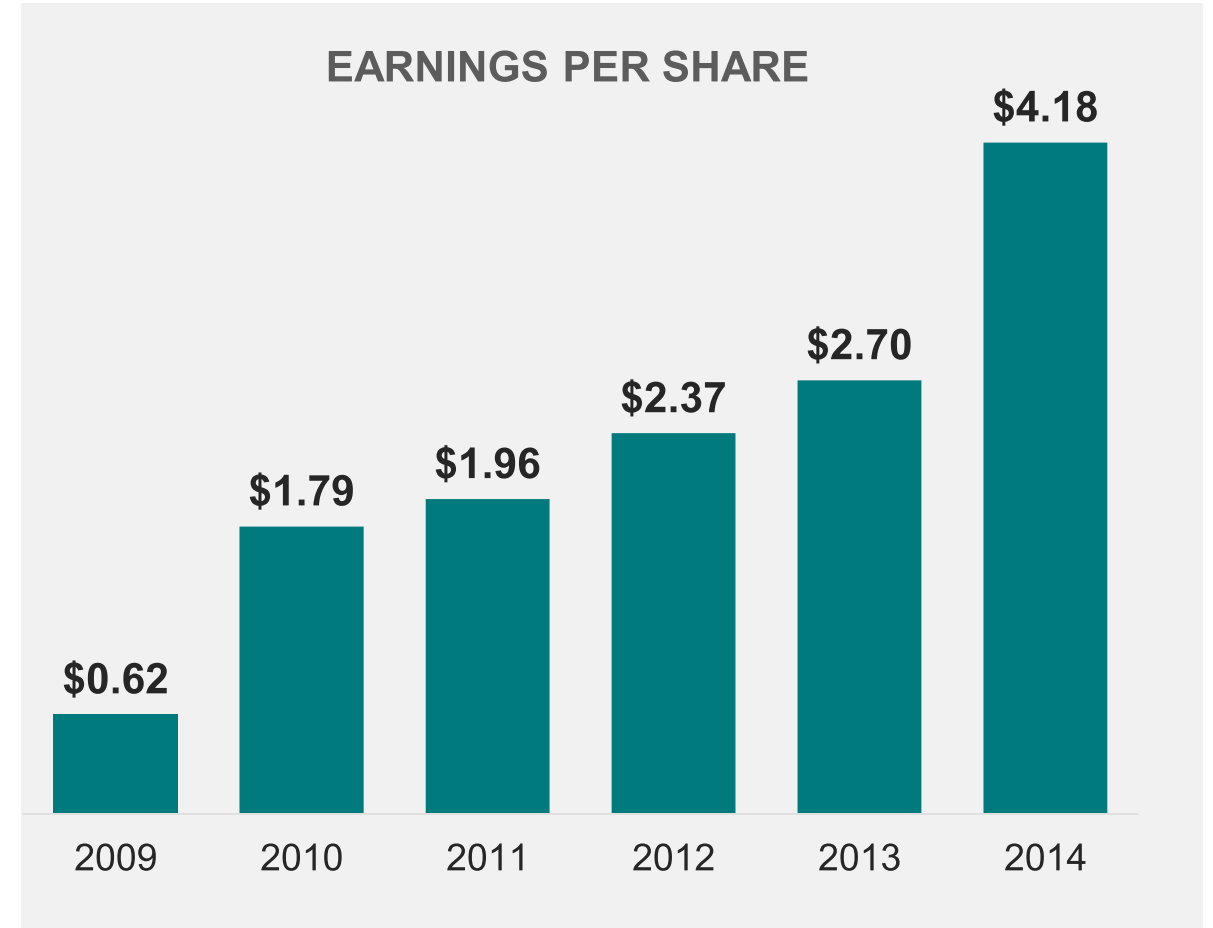
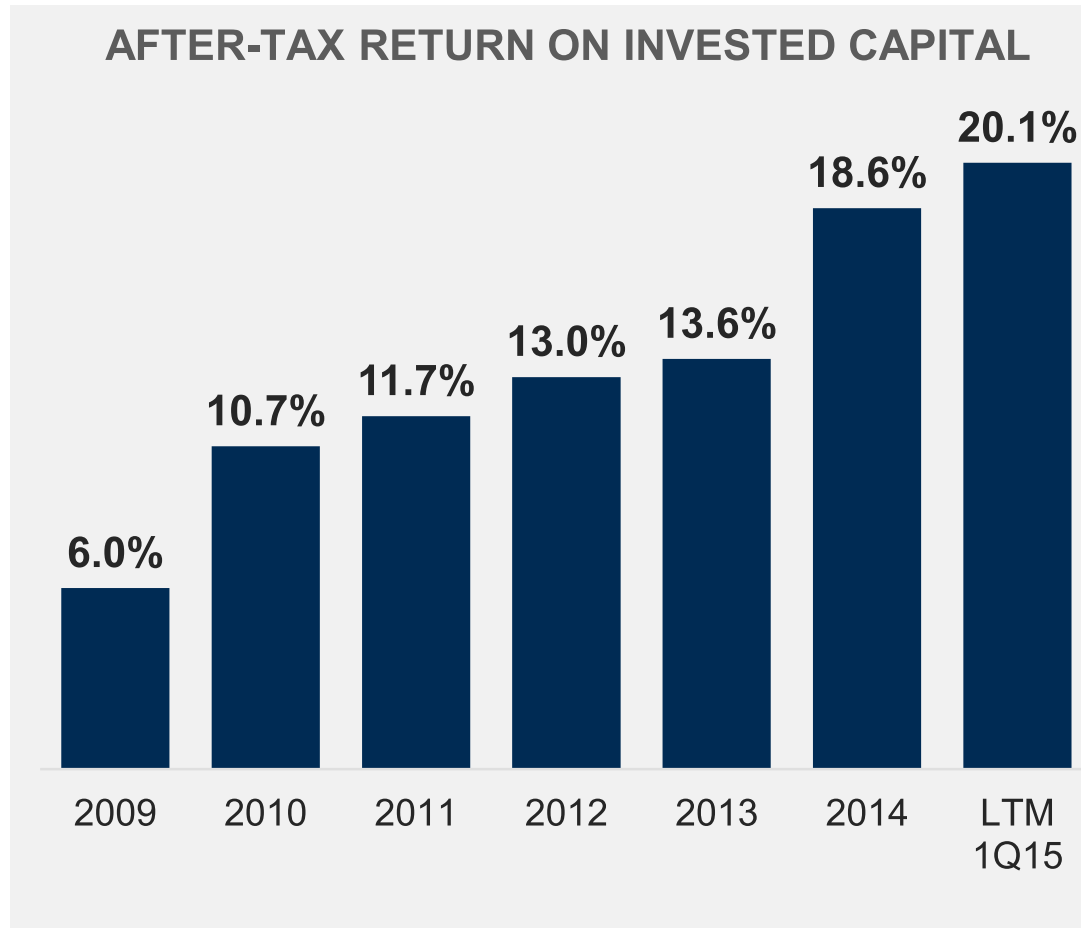
INDUSTRY AND SECTOR LEADING PRE-TAX MARGIN (LTM 1Q15)



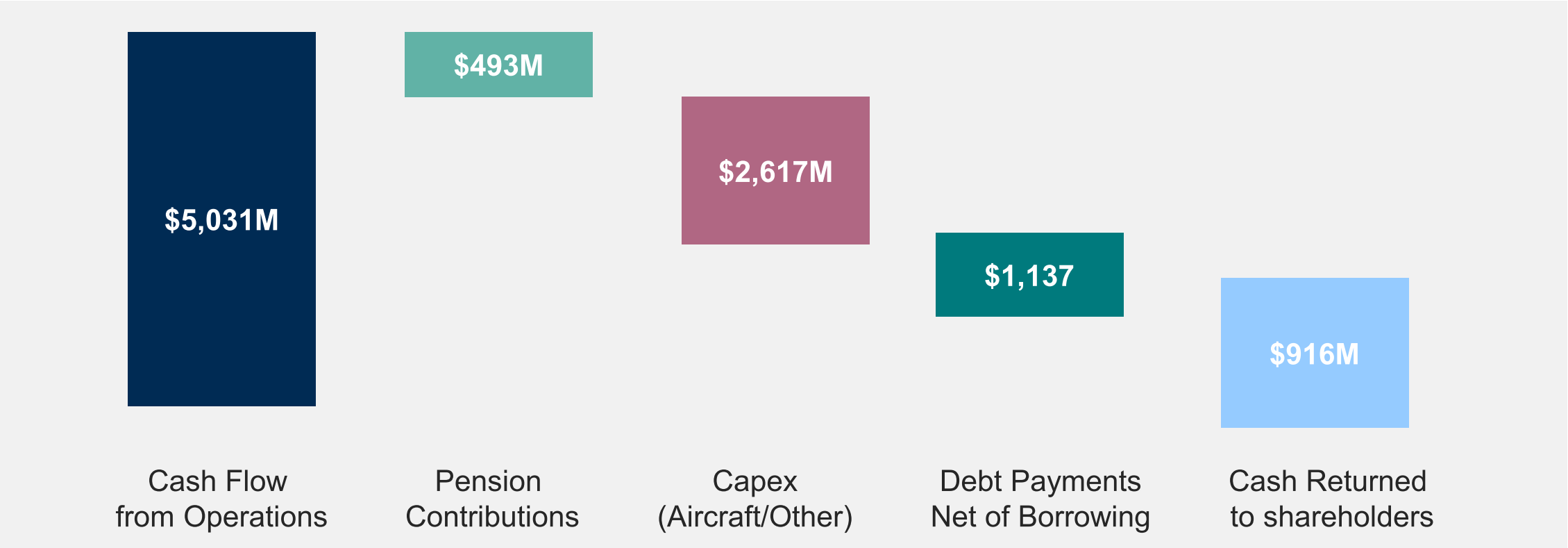
Legacy Carriers LCC's



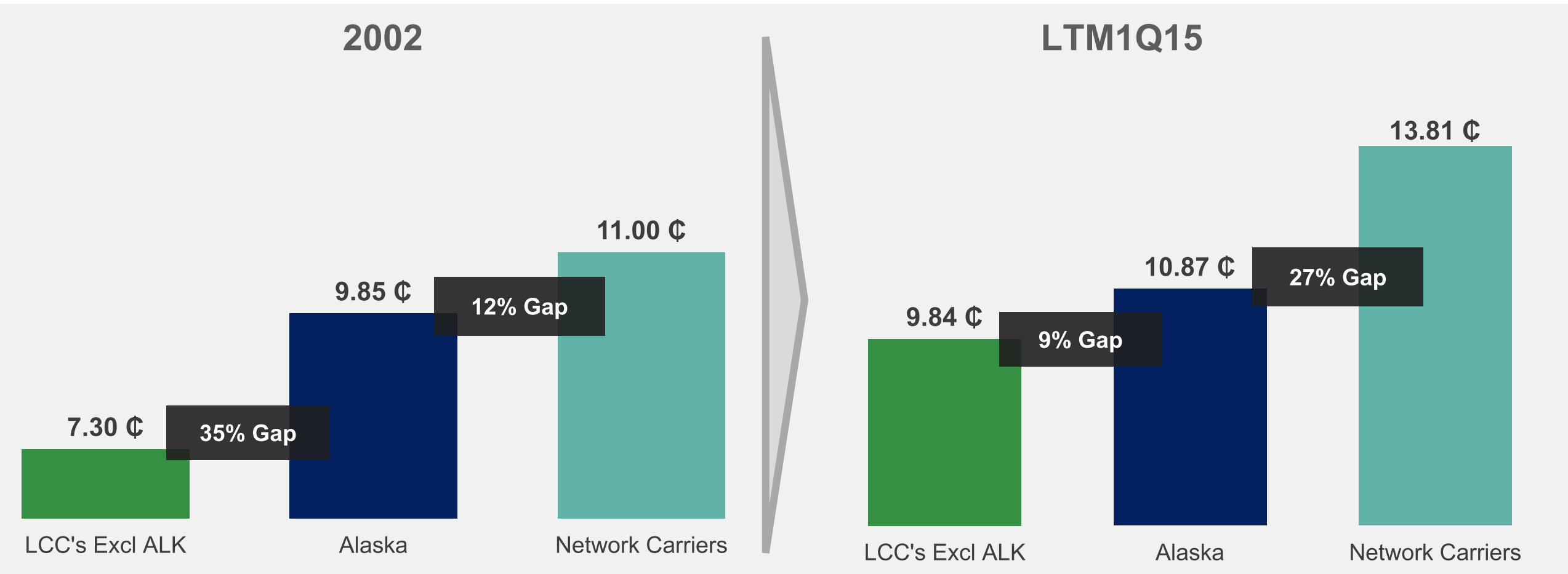
...And we have grown our returns consistently over that period



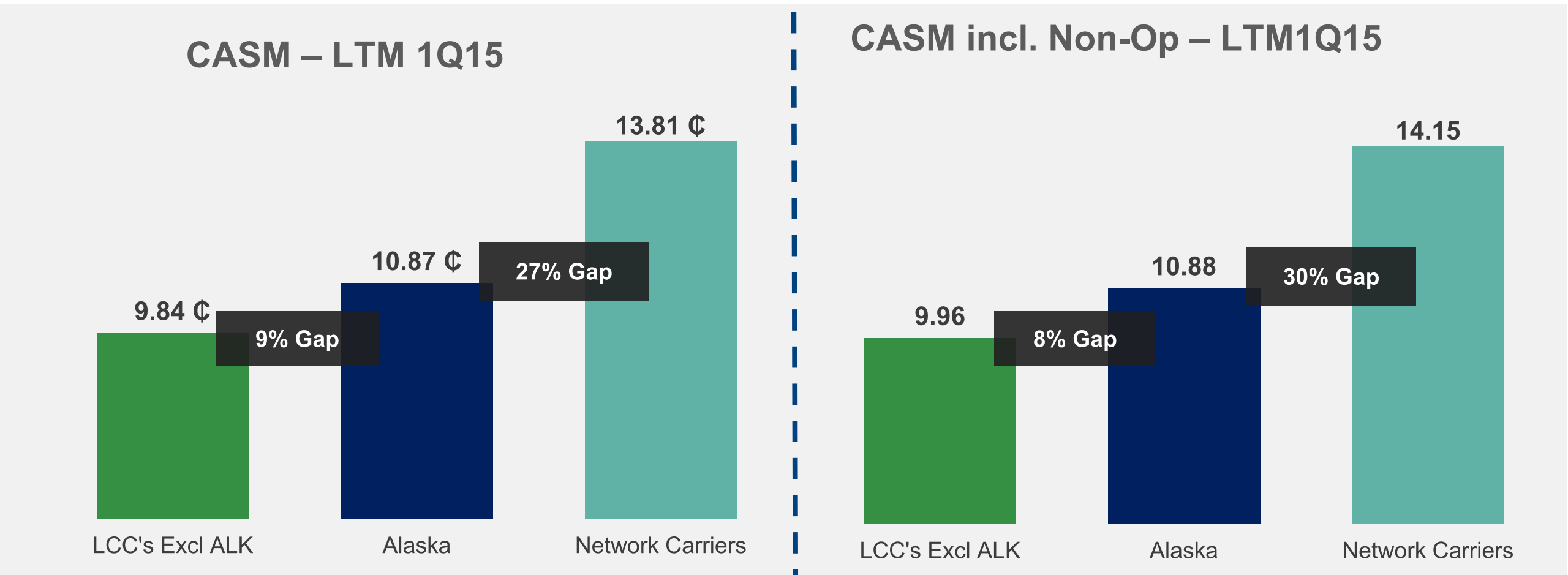
We have generated more than \$5B in cash flow since 2010 and deployed it in a balanced fashion



We have reduced our costs and today our cost structure resembles LCC's...



That cost gap widens after including non-operating expenses



Catalysts provide further runway to lower costs...

737-400 replacement

Fuel efficiency

Productivity

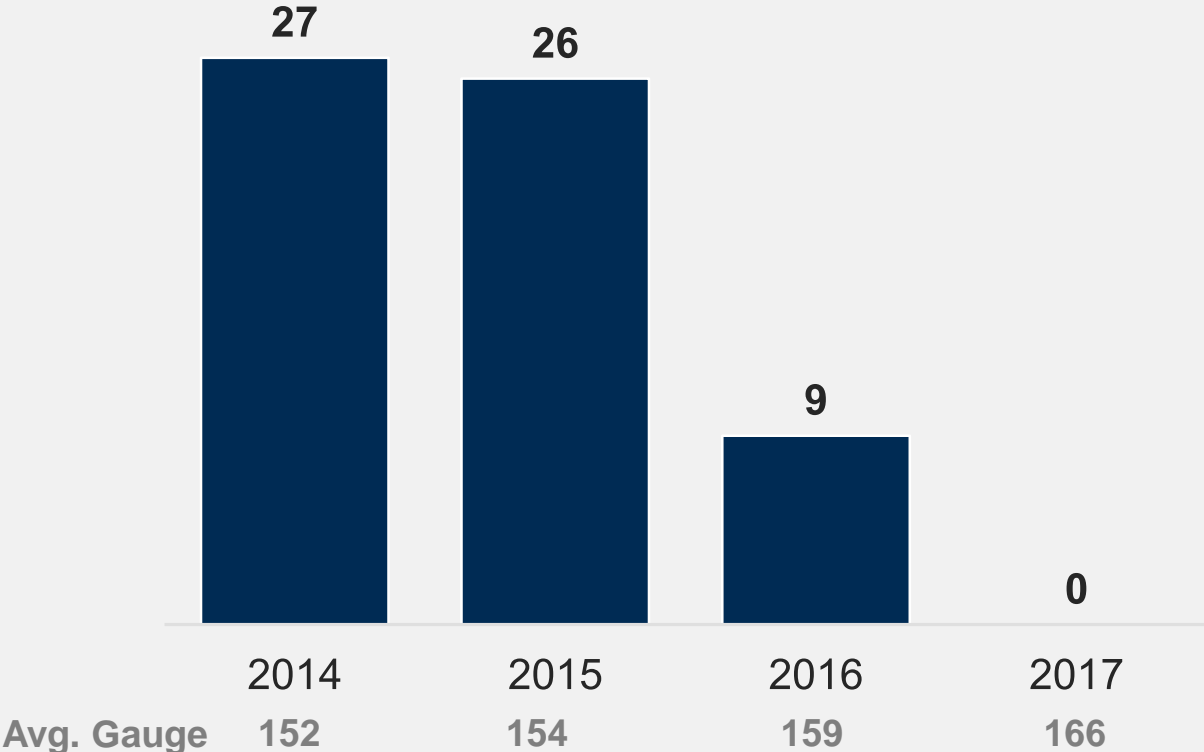
Labor stability



Improving Cost Profile

737-400 replacements provide opportunity to grow economically through upgauging

737-400's phased out by 2017



Seats per Trip

144 to 181
↑ 25%

Trip Revenue

↑ 14%

Trip Costs

↑ 2%



Our fuel efficiency is among the best in the industry...



**737-400
Replacements**

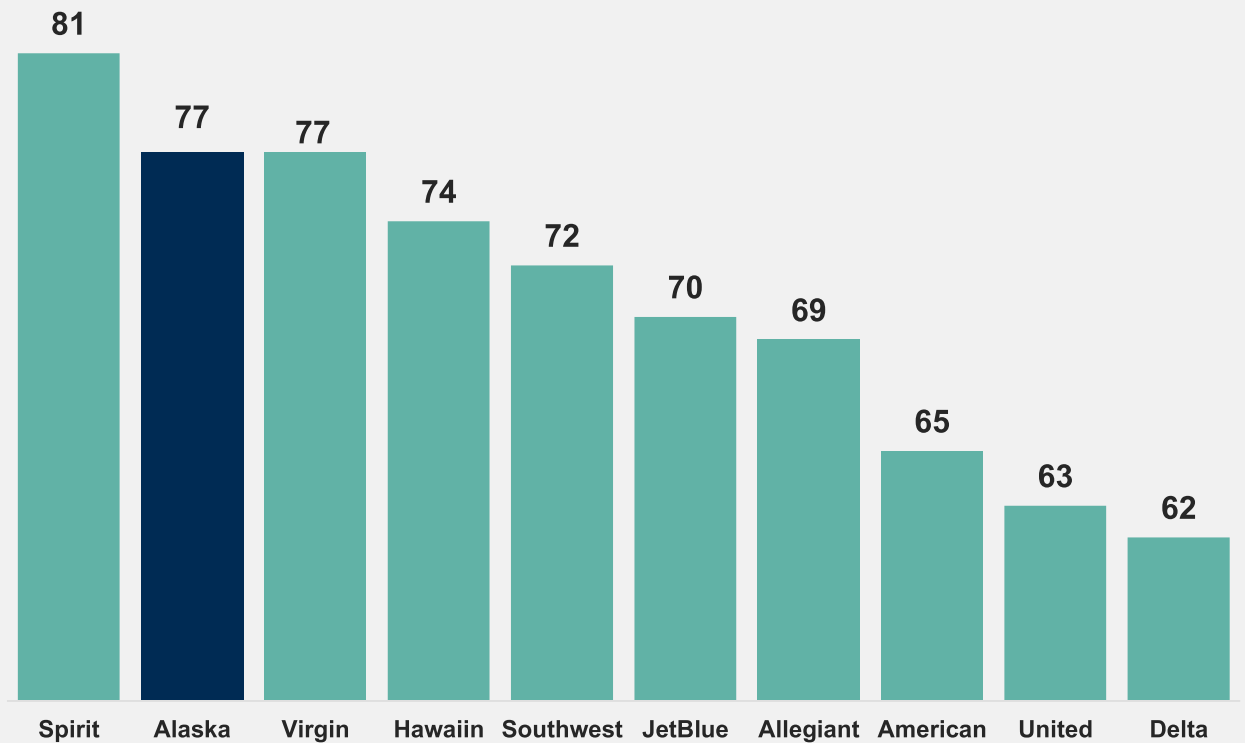


**Split Scimitar
Winglets**



**Operational
Efficiency**

FUEL EFFICIENCY – ASM's/GALLON



...and will continue to get better



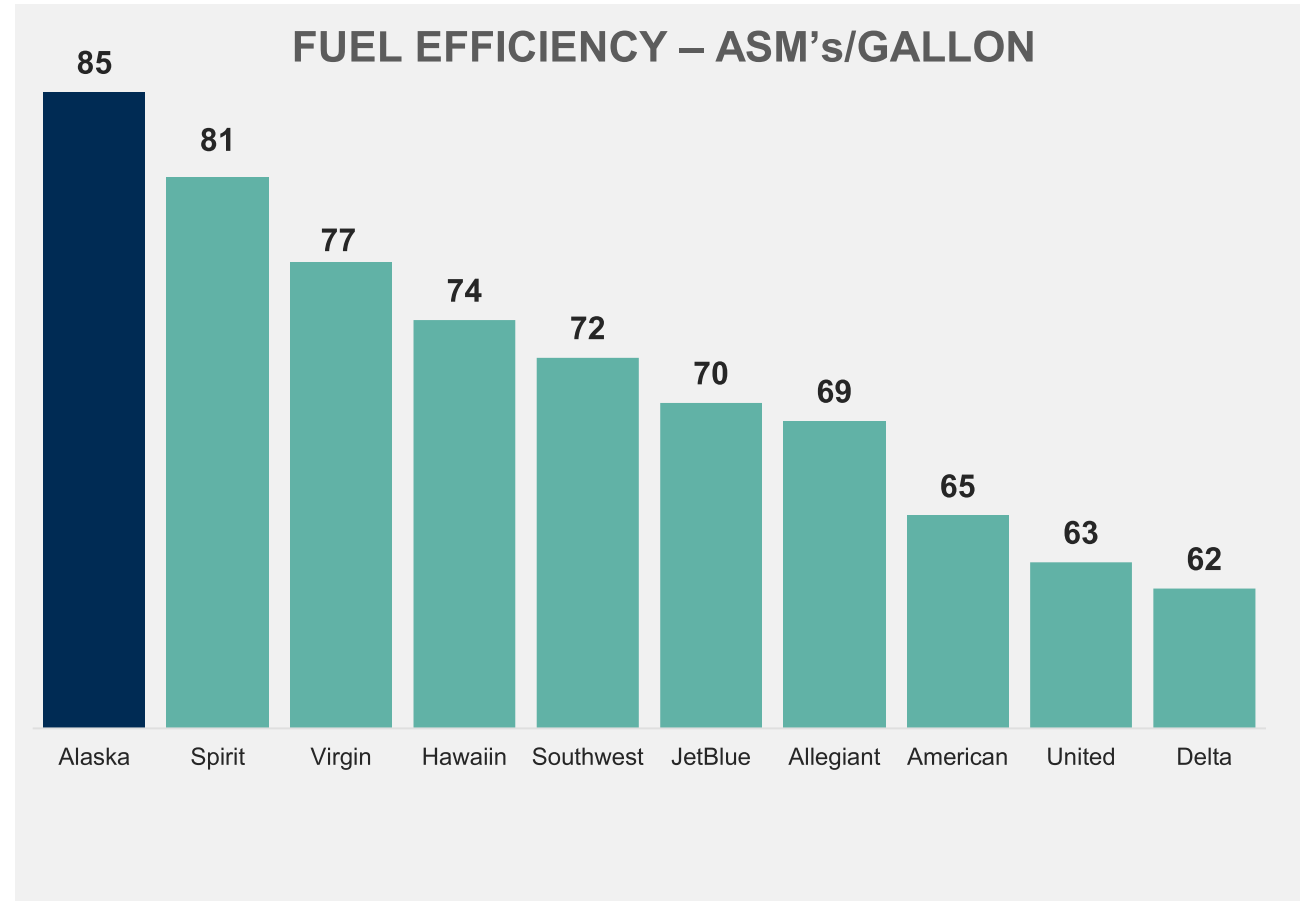
**737-400
Replacements**



**Split Scimitar
Winglets**

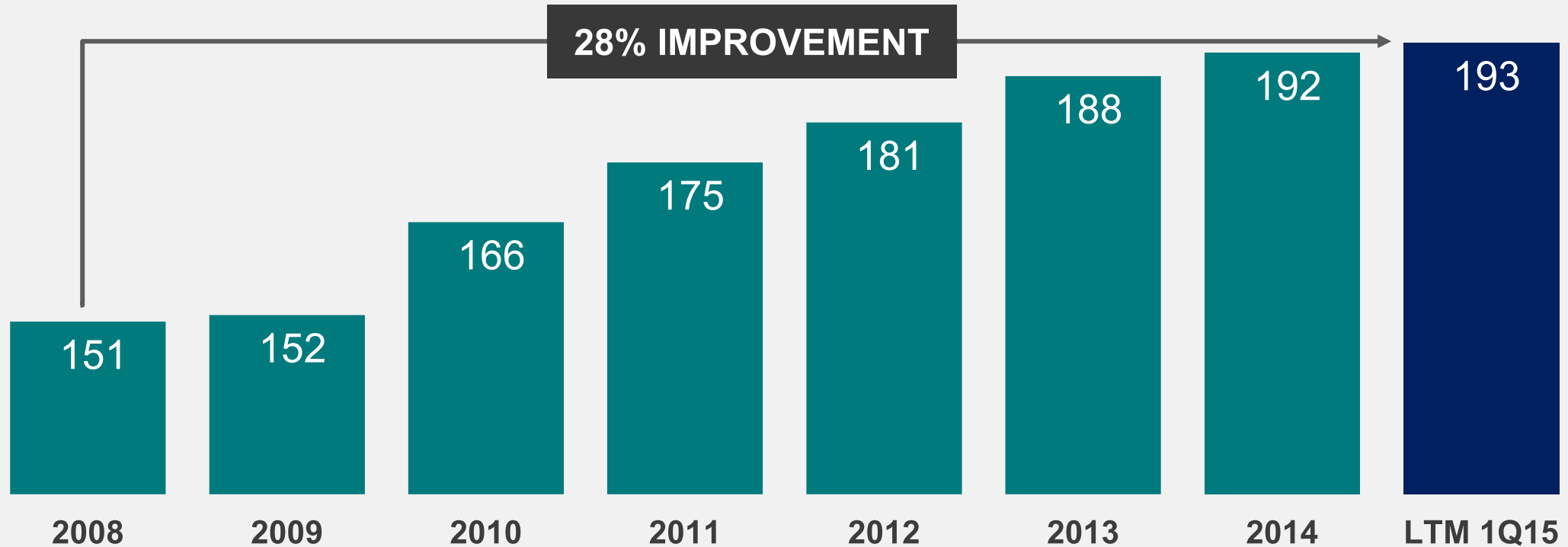


**Operational
Efficiency**



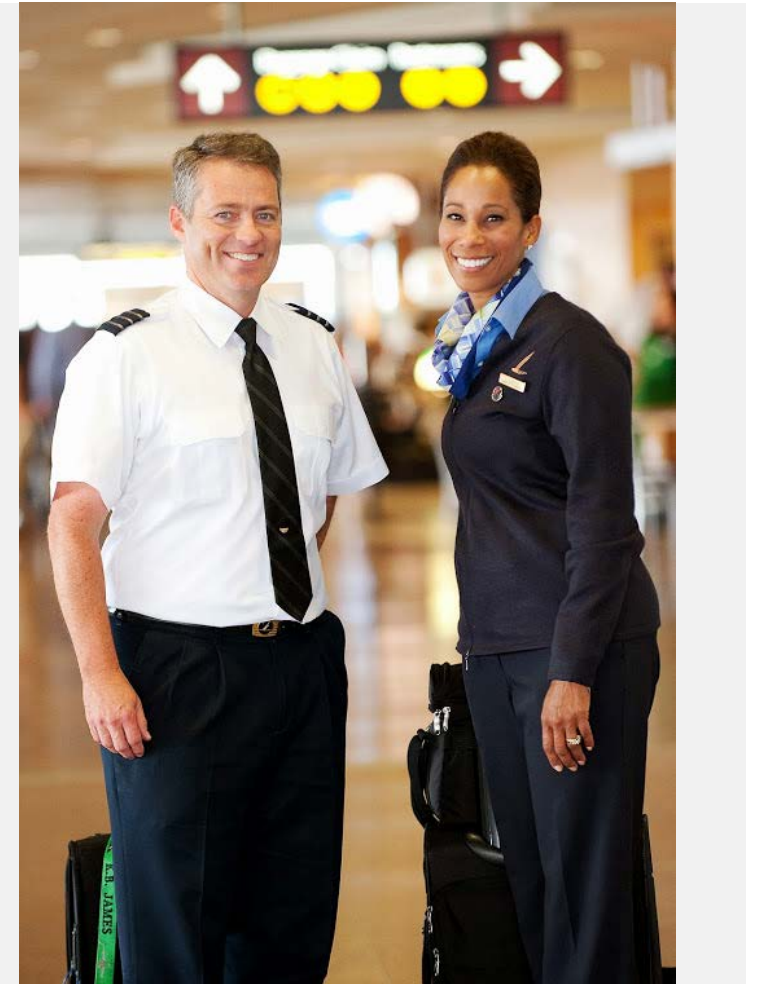
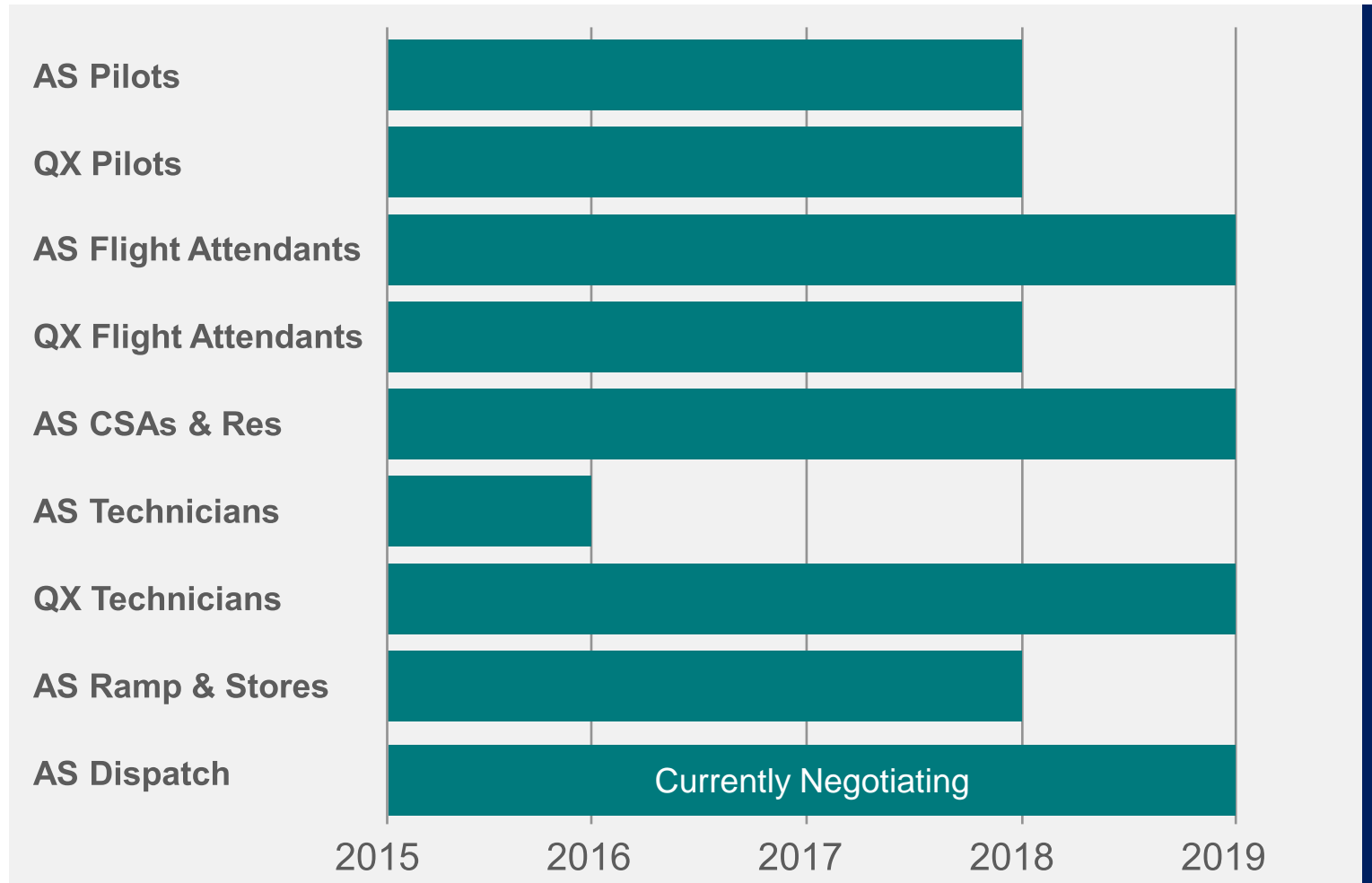
Our productivity continues to improve consistently...

PRODUCTIVITY – PAX/FTE



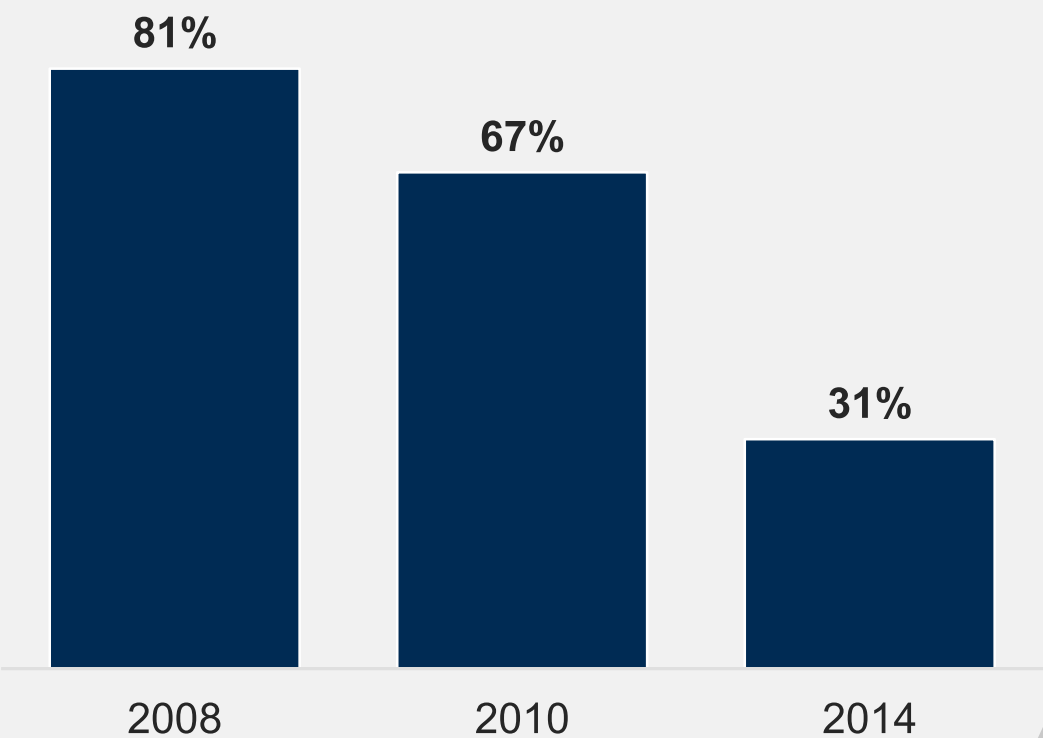
Every 1% Improvement in Productivity = ~\$11M Annually















...and our long term labor contracts provide stability in our business



Our investment grade balance sheet de-risks the cash flow to shareholders

DEBT TO CAP

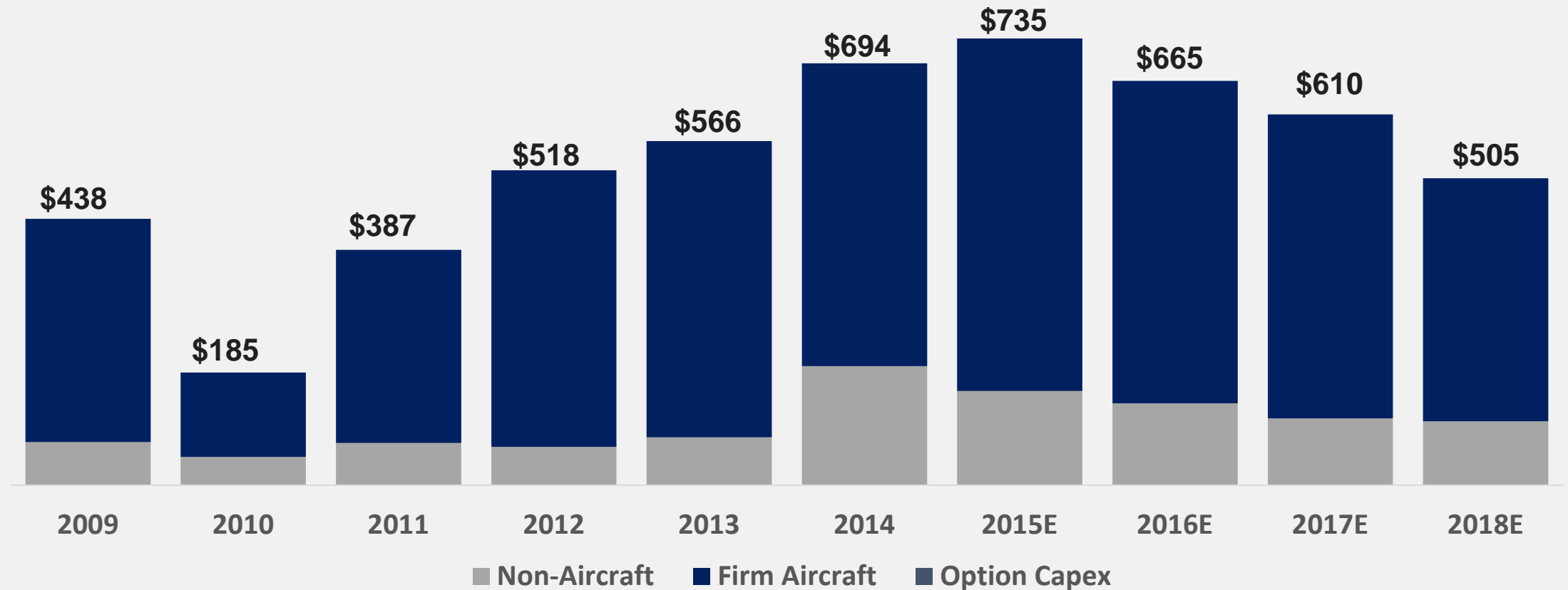


Airline Credit Rating		
	S&P	Fitch
BBB+		
BBB	 SOUTHWEST	 SOUTHWEST +
BBB-	 Alaska	 Alaska
BB+		
BB	 +	 +
BB-	 allegiant	
B+	 +  +	 jetBlue  +
B	 jetBlue + 	
B-		

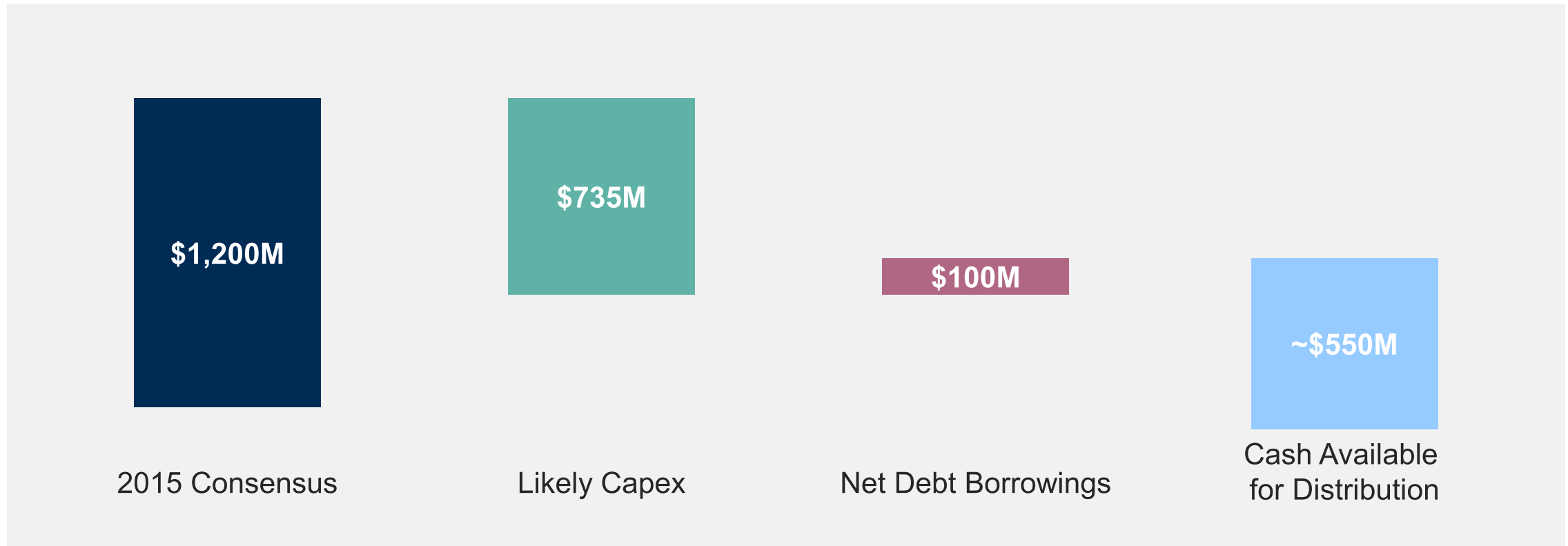
Investment Grade

Capex and other obligations are manageable...

ANNUAL CAPEX (\$ IN MILLIONS)



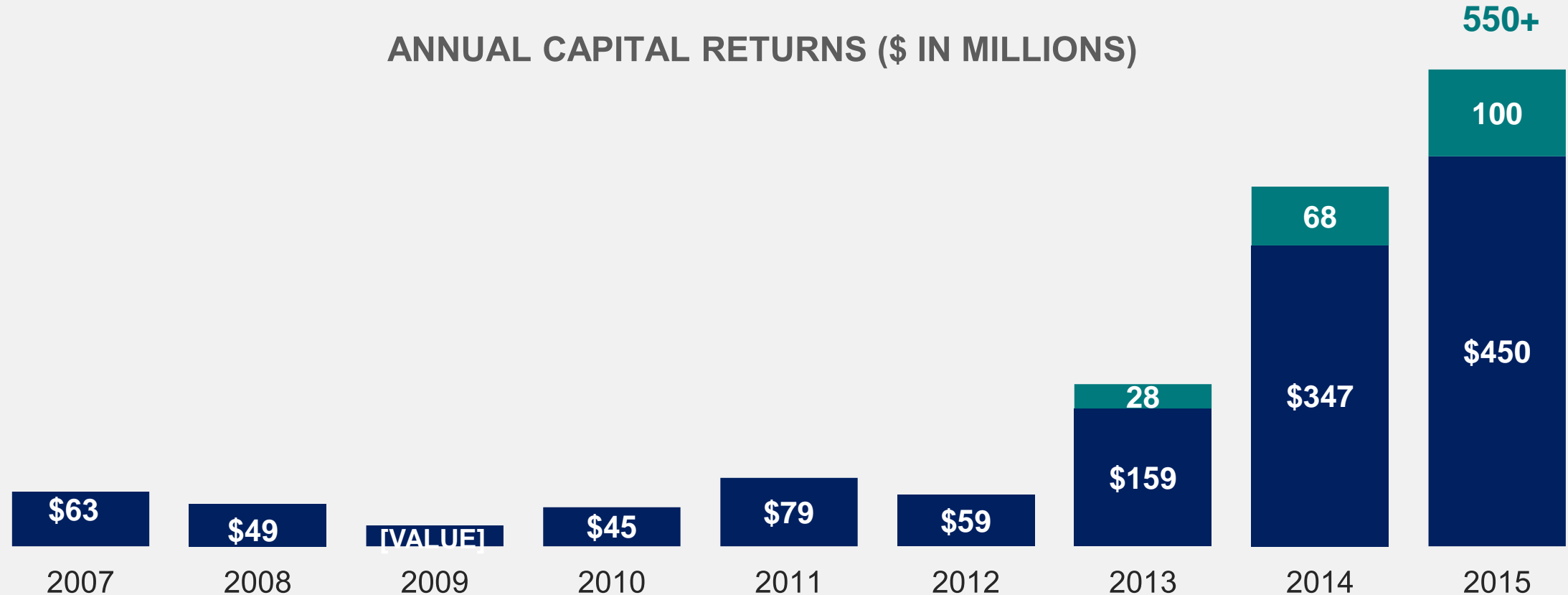
...resulting in strong capital returns again in 2015



In 2015, we have raised dividend by 60% and total returns by 30%

In addition to our industry leading dividend yield, we expect to buyback over 5% of our outstanding shares in 2015

ANNUAL CAPITAL RETURNS (\$ IN MILLIONS)



2015 plan far exceeds cumulative capital returned from 2007–2013

Seattle's Hometown Airline

