



# Cowen and Company 7th Annual Global Transportation & Aerospace/Defense Conference

**Boston**

September 3, 2014

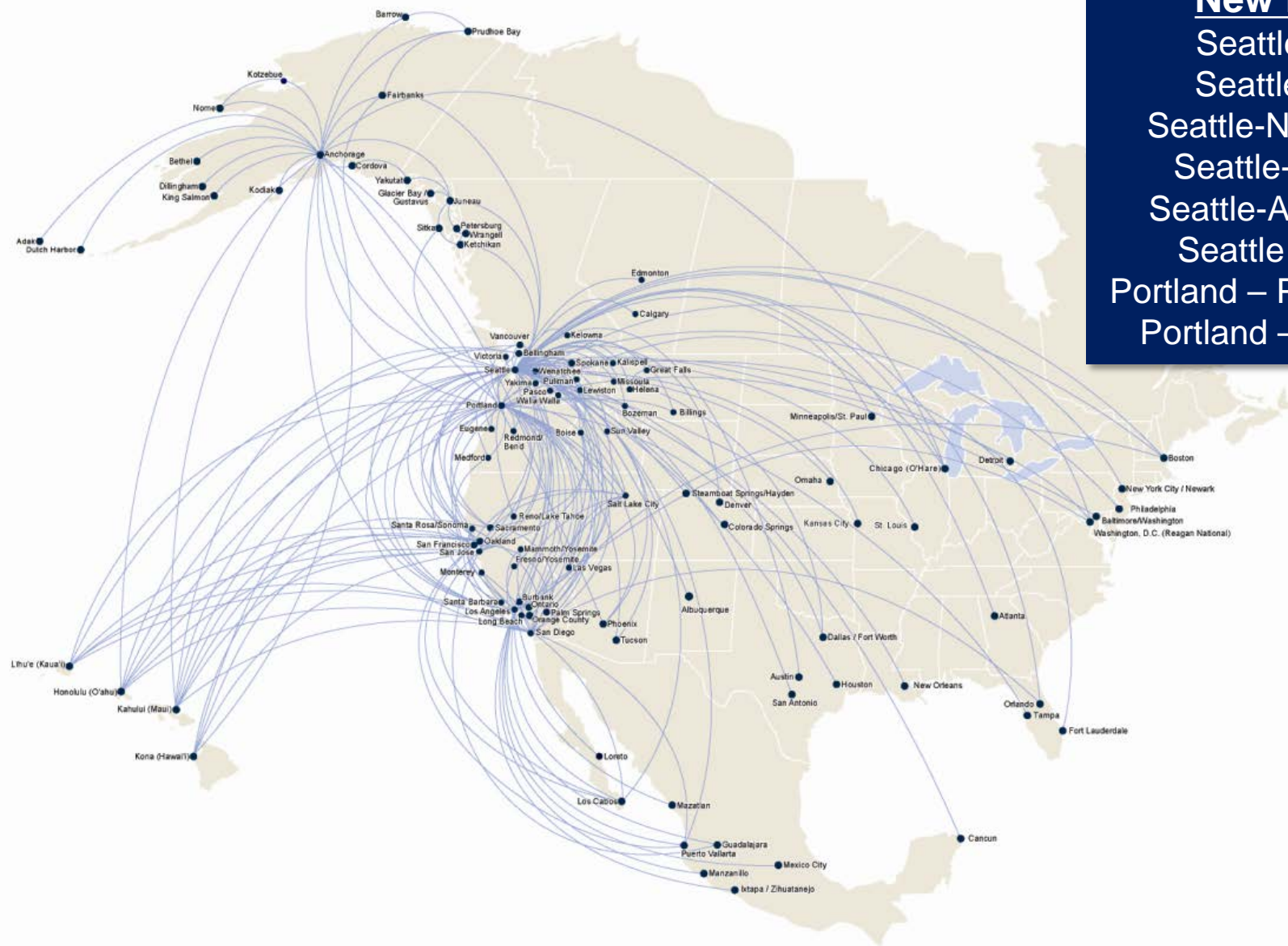
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This presentation and the discussion today will include forward-looking statements regarding the performance of Alaska Air Group or its subsidiaries. Actual results may differ materially from these projections. Please see our most recent Annual Report on Form 10-K for additional information concerning factors that could cause results to differ.

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# OUR NETWORK CONTINUES TO GROW



## New Routes

Seattle-Detroit

Seattle-Tampa

Seattle-New Orleans

Seattle-Baltimore

Seattle-Albuquerque

Seattle - Cancun

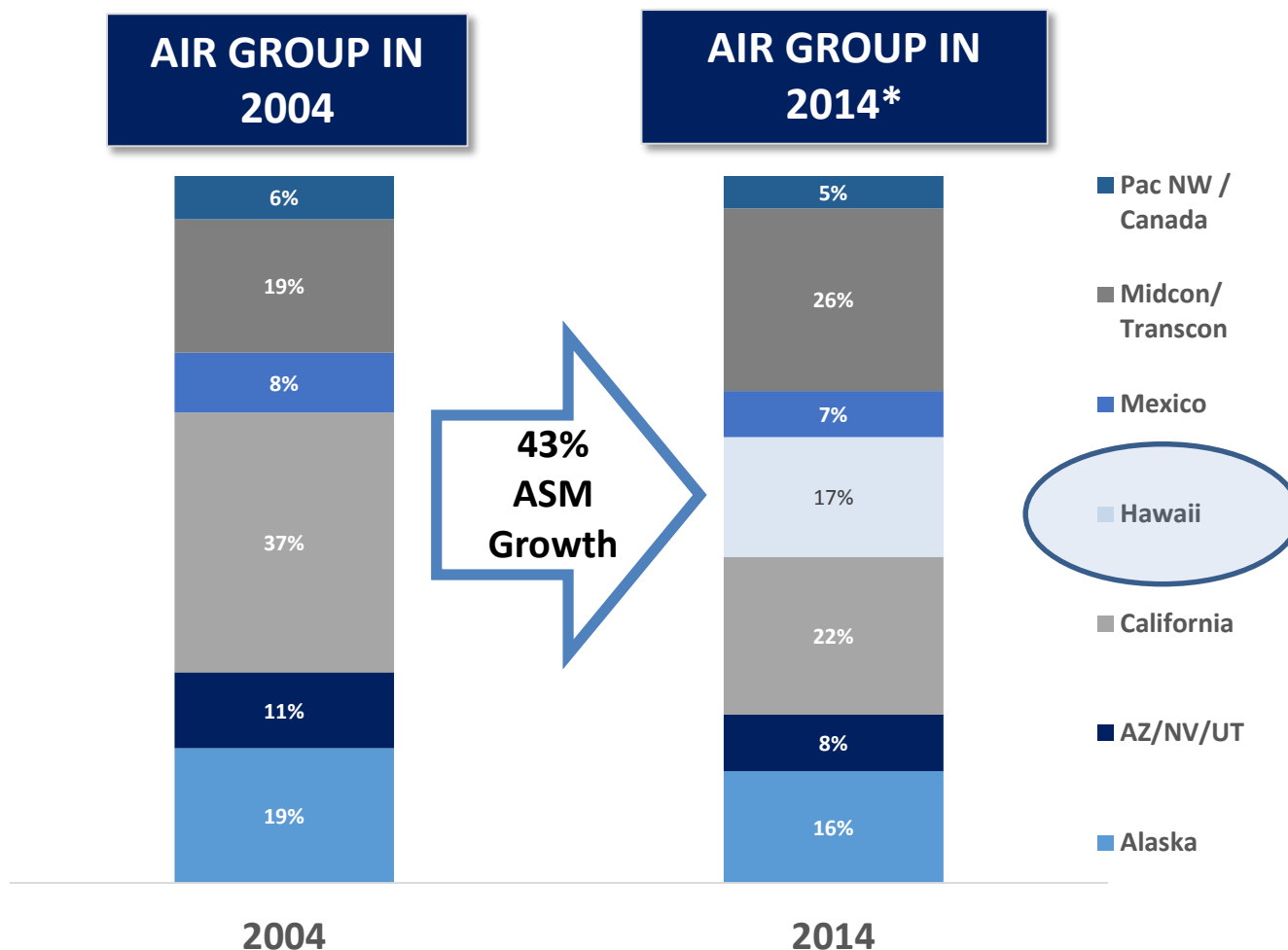
Portland – Puerto Vallarta

Portland – Los Cabos

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# ...AND IS MORE DIVERSE

HAWAII WAS 0% OF OUR NETWORK IN 2004, IT IS ~20% TODAY



Source: OAG Schedule Data for YE 2003 and YE 2014. \*2014 YE numbers are projections.

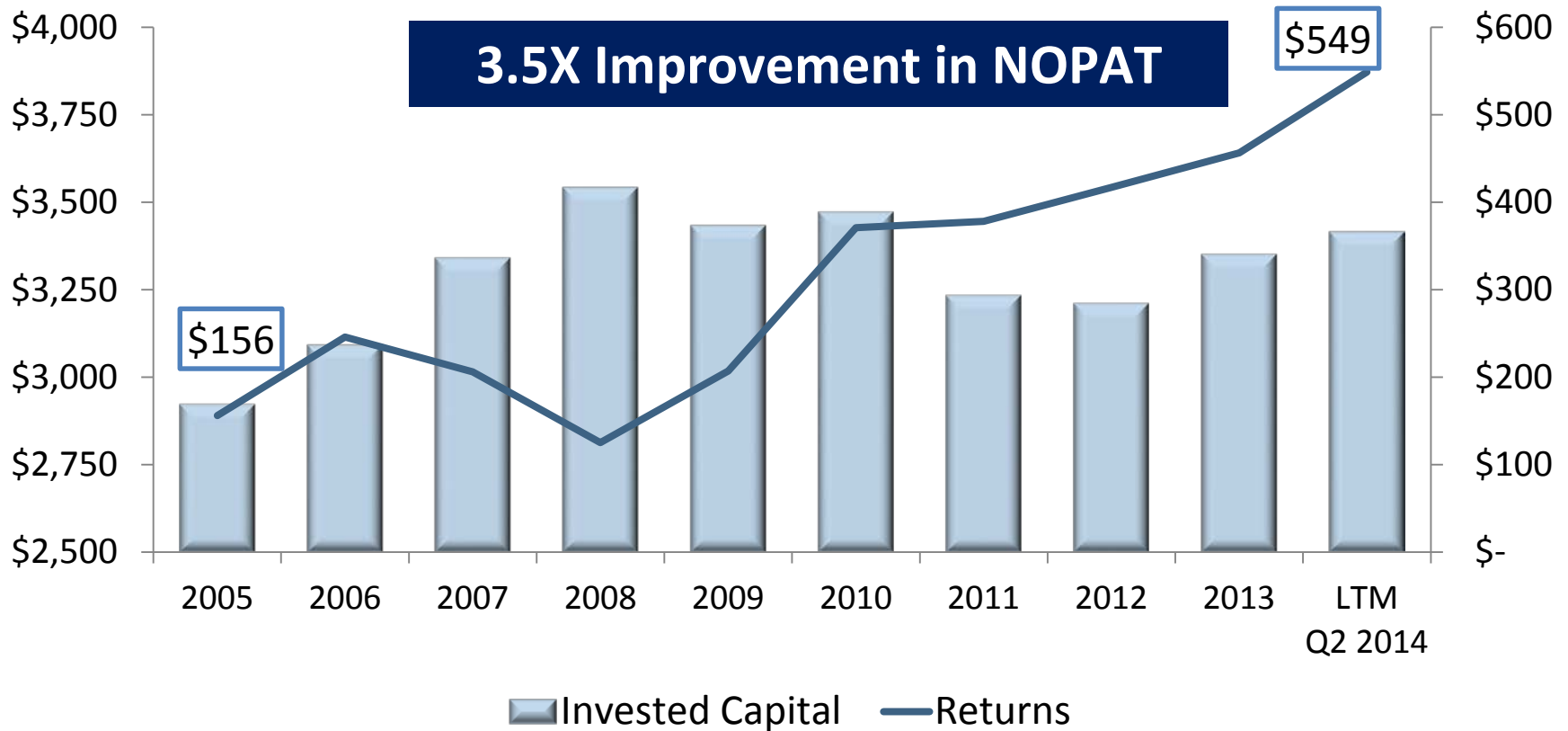
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# AND OUR REVENUES ARE GROWING TOO...

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# ...AS ARE RETURNS



*Returns adjusted for hedge mark-to-market and unusual items.*



# WE ARE THE HOMETOWN AIRLINE OF THE FASTEST GROWING CITY IN U.S.



CHANCE OF SHOWERS  
High, 66. Low, 56. > 88  
seattletimes.com/weather

## The Seattle Times

WINNER OF NINE PULITZER PRIZES

SEATTLETIMES.COM

\$1.00

Independent and locally owned since 1896  
1.6 million readers weekly in Western Washington, in print and online

# Seattle the fastest-growing big city in U.S.

### Census Bureau says Seattle grew by 2.8 percent — highest rate among the 50 most-populous U.S. cities

By Gene Balk  
The Seattle Times

Last year, Seattle grew faster than any other major American city, according to population estimates released Thursday by the Census Bureau.

From July 1, 2012 to July 1, 2013, Seattle grew by 2.8 percent — the highest rate among the 50 most-populous U.S. cities. Seattle added nearly 18,000 residents in the one-year period, bringing its population to about 652,000.

Austin, Texas had led the single-year growth rate among the biggest cities for the previous two years.

In the 2011 to 2012 census data, Seattle grew by 2.1 percent, which ranked only ninth.

Also in the latest population estimates: Seattle leapfrogged Boston to become the nation's 21st biggest city. Seattle is within striking distance of returning to the top-20 cities for the first time since 1960.

The new data show that all but four of the major cities experienced growth last year.

Detroit, at the opposite end of the spectrum, had the biggest population loss — 1.4 percent. The other cities with negative growth were Cleveland, Memphis, Tenn., and Baltimore.

What's the reason for Seattle's increased population boom?

The Census Bureau offers no interpretation of its data, but surely the city's healthy economy is responsible for attracting many new residents. According to Seattle's Office of Economic Development, the city added nearly 15,000 new jobs between 2012 and 2013.

Seattle didn't just surpass other big U.S. cities in 2013. For the second consecutive year, Seattle outpaced its suburbs — and the new census data show this trend is accelerating.

### Seattle tops list of fast-growing cities

Seattle had the fastest rate of growth among the 50 most-populous U.S. cities from 2012 to 2013.



Source: U.S. Census Bureau

KELLY SHEA / THE SEATTLE TIMES

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# WE ARE THE HOMETOWN AIRLINE OF THE FASTEST GROWING CITY IN THE U.S.

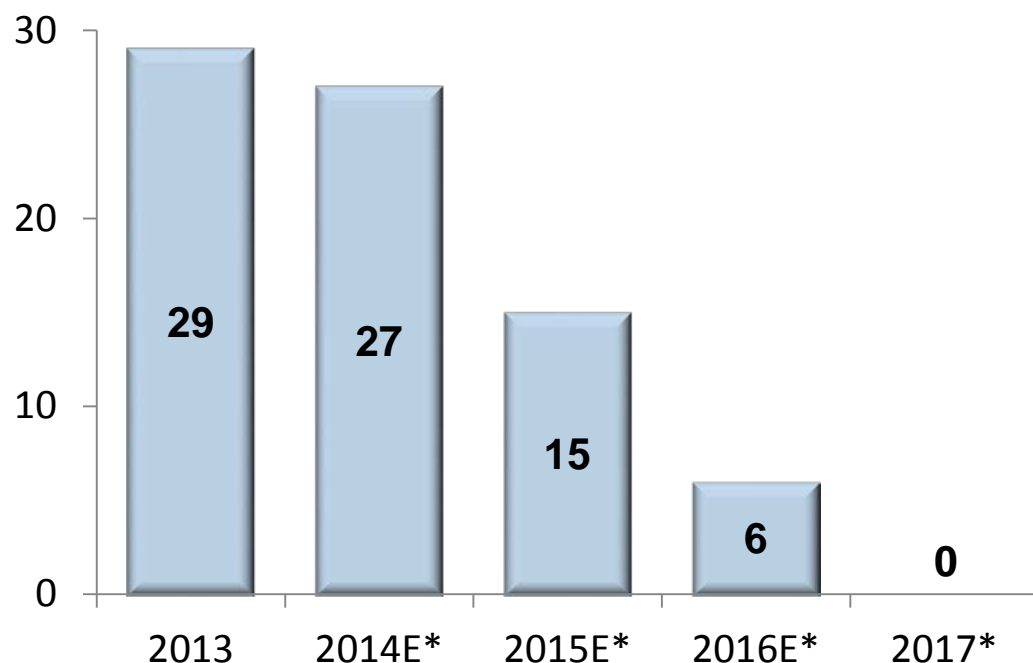


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# WE ARE IN THE MIDDLE OF A FLEET TRANSITION

737-400 WILL BE FULLY PHASED OUT OF OUR FLEET BY 2017



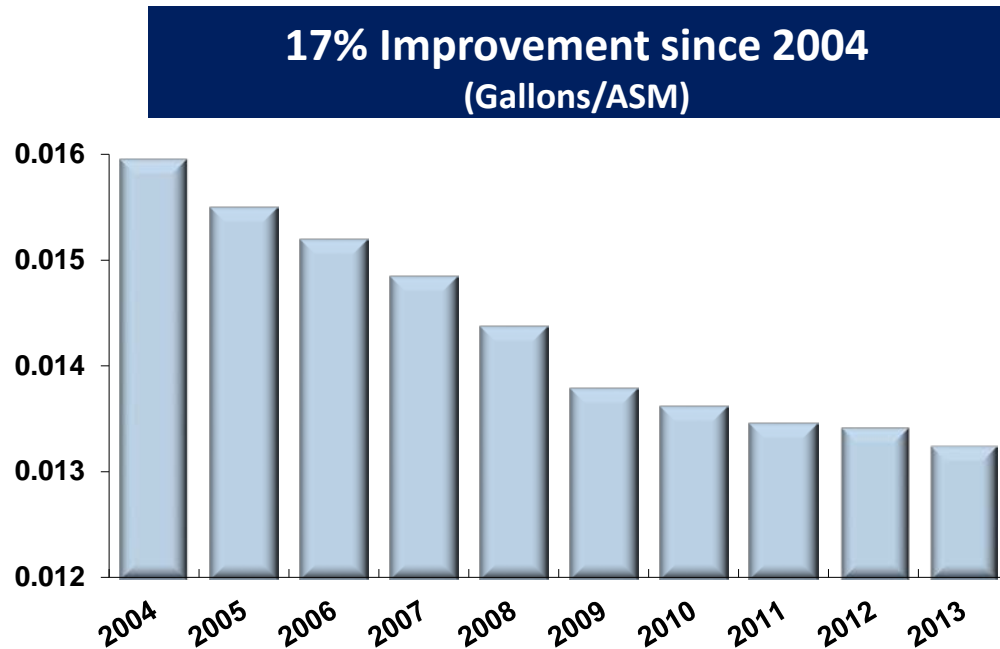
**Replacing 737-400 with 900ER**  
144 to 181 Seats

2015 Expected Replacements	12
Trip revenue	+14%
Trip costs	(2%)

*\*Estimates based on current fleet plan, which is fluid.*

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# OUR FUEL EFFICIENCY IS AMONG THE BEST AND WILL CONTINUE TO GET BETTER



# CABIN UPGRADE PROJECT IS OVER 50% COMPLETE

ALK'S GROWTH IS COST EFFICIENT AND REVENUE ACCRETIVE

## SEAT PROJECT

### 737-800 Reconfiguration *157 to 163 Seats*

% of AS Fleet	46%
Trip revenues	+3%
Trip costs	+<1%

### 737-900 Reconfiguration *172 to 181 Seats*

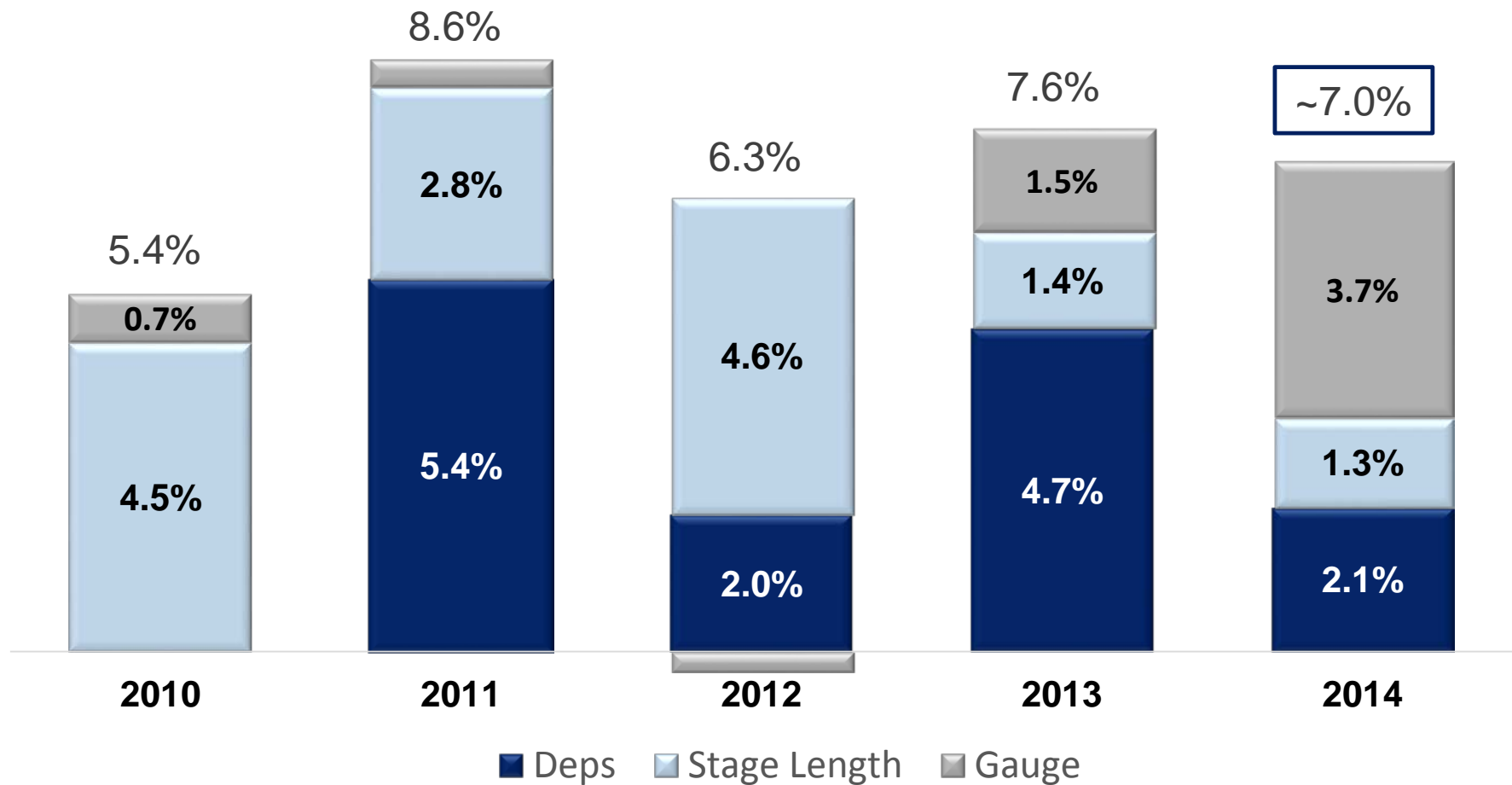
% of AS Fleet	9%
Trip revenues	+3%
Trip costs	+<1%



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# SEATS AND GAUGE DRIVE EFFICIENT GROWTH

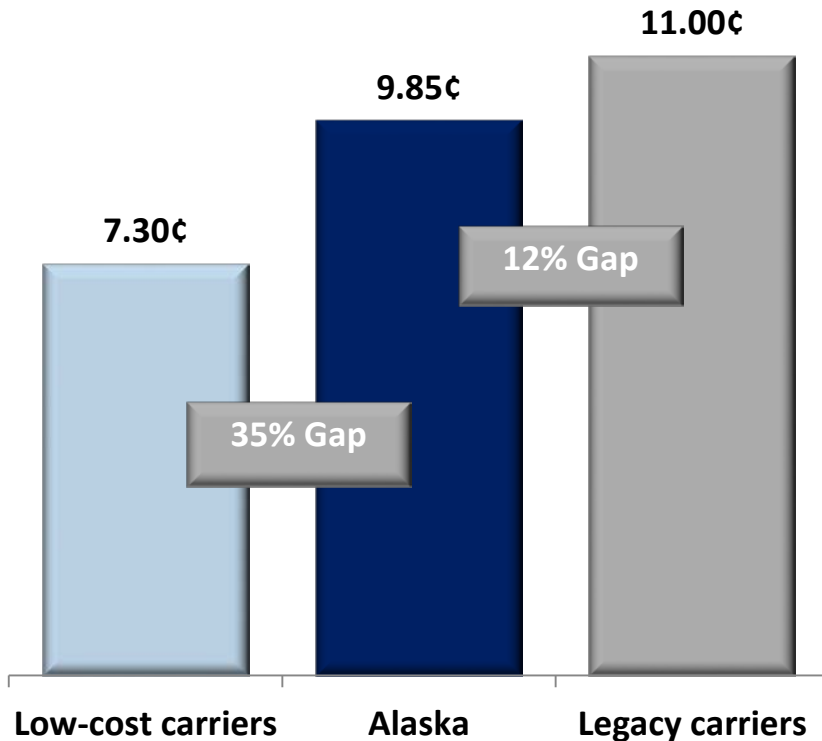
~50% OF ALK'S 2014 GROWTH DRIVEN BY UP-GAUGING



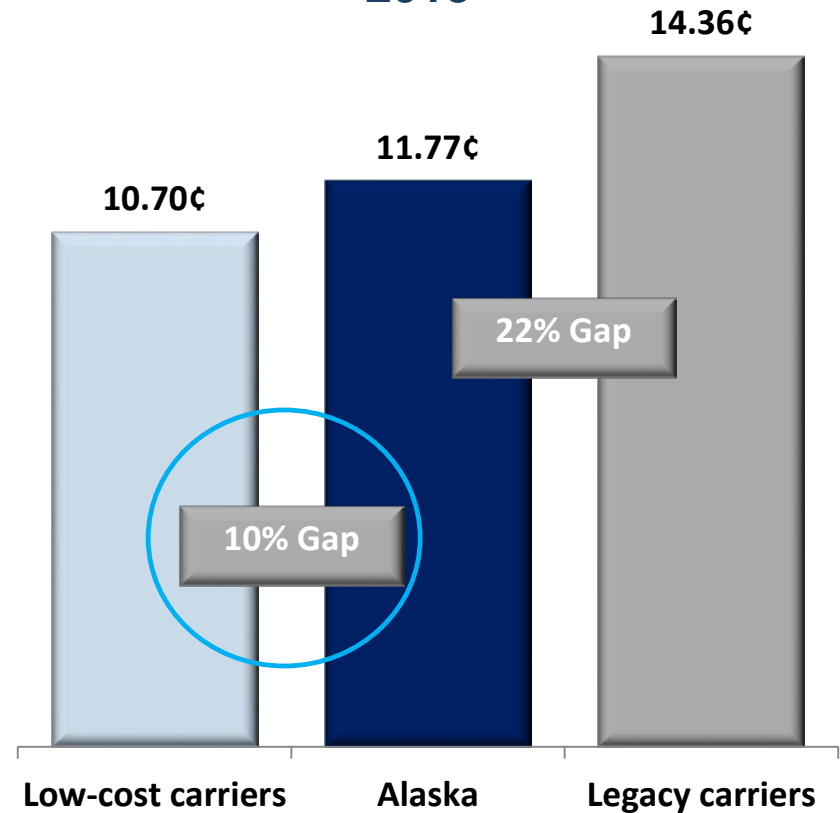
# OUR COSTS ARE IN LINE WITH LOW COST CARRIERS

TODAY OUR COSTS ARE CLOSER TO THE LCC'S THAN THE LEGACY CARRIERS (COSTS INCLUDING FUEL)

**2002**



**2013\***



Low-cost Carriers (LCC) = Southwest, JBLU, HA; Legacy = US Air, United, Delta

\*Adjusted for stage length

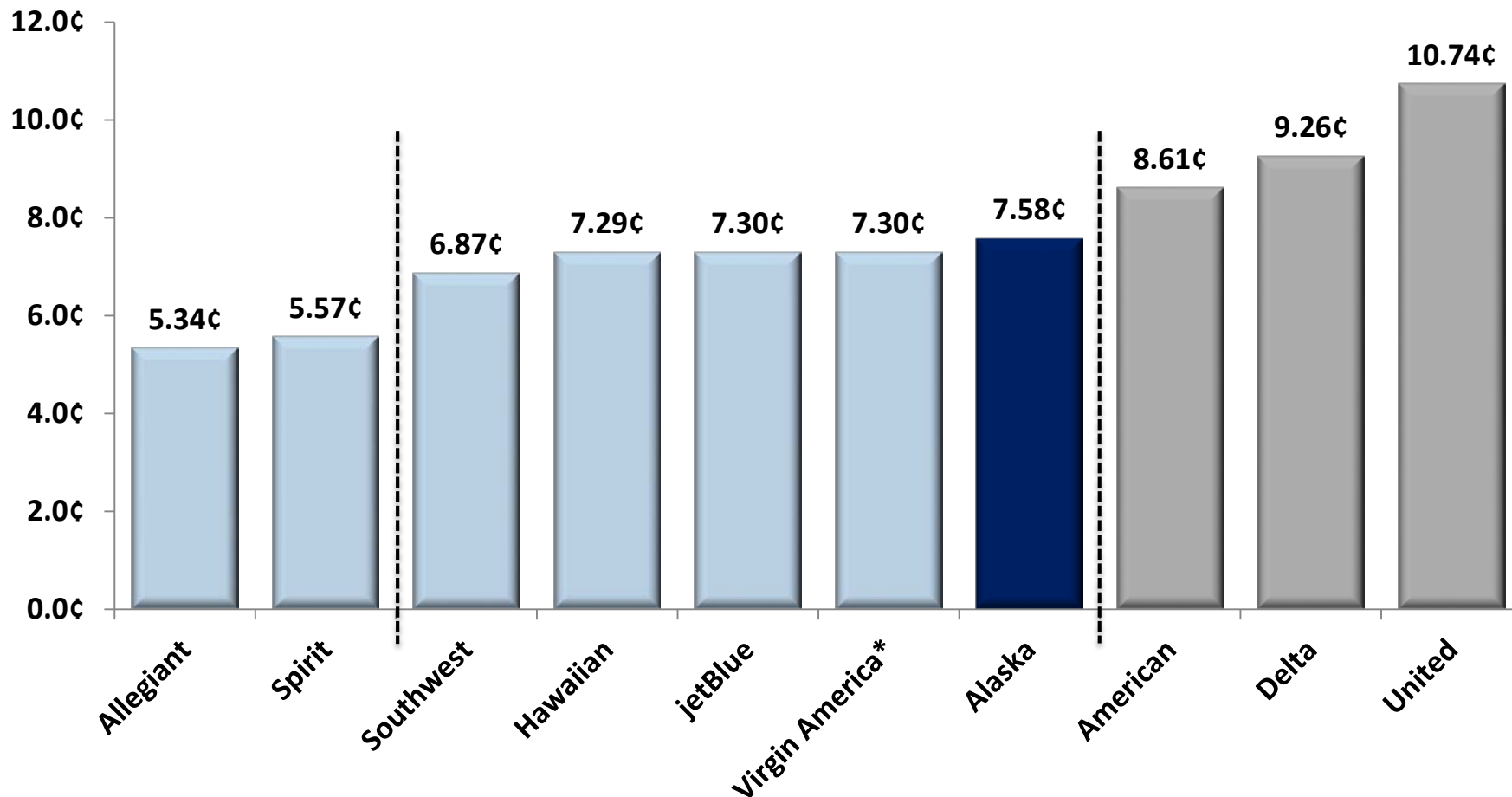
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# BUT WE HAVE MORE WORK TO DO

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## LTM CASM, ex fuel through June 30, 2014



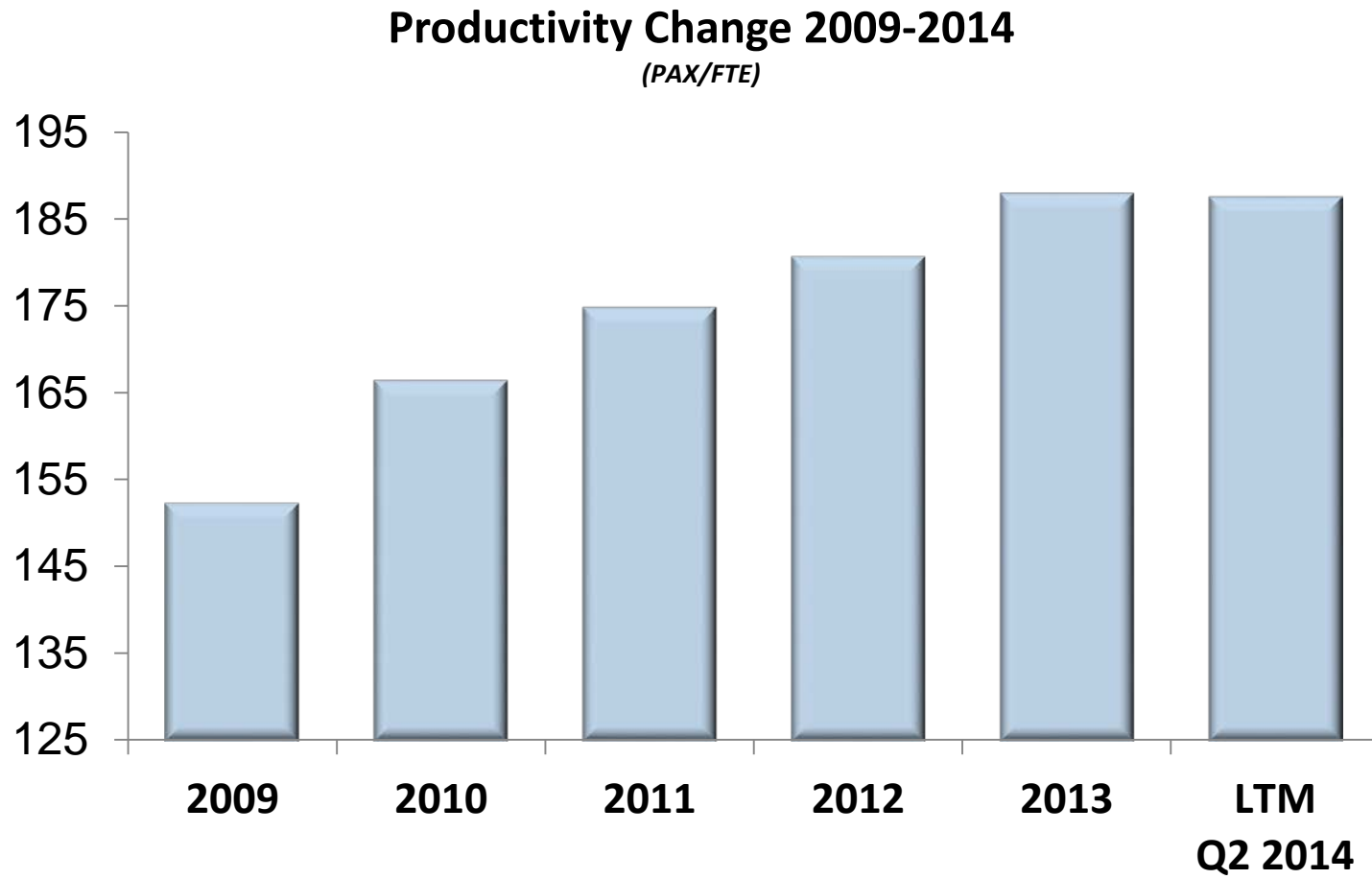
\* Virgin America as of twelve months ended June 30, 2014.  
Adjusted for stage length.

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# OUR PRODUCTIVITY HAS IMPROVED ~25% OVER THE PAST 5 YEARS

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OUR EMPLOYEES ARE HIGHLY ENGAGED AND PRODUCTIVE

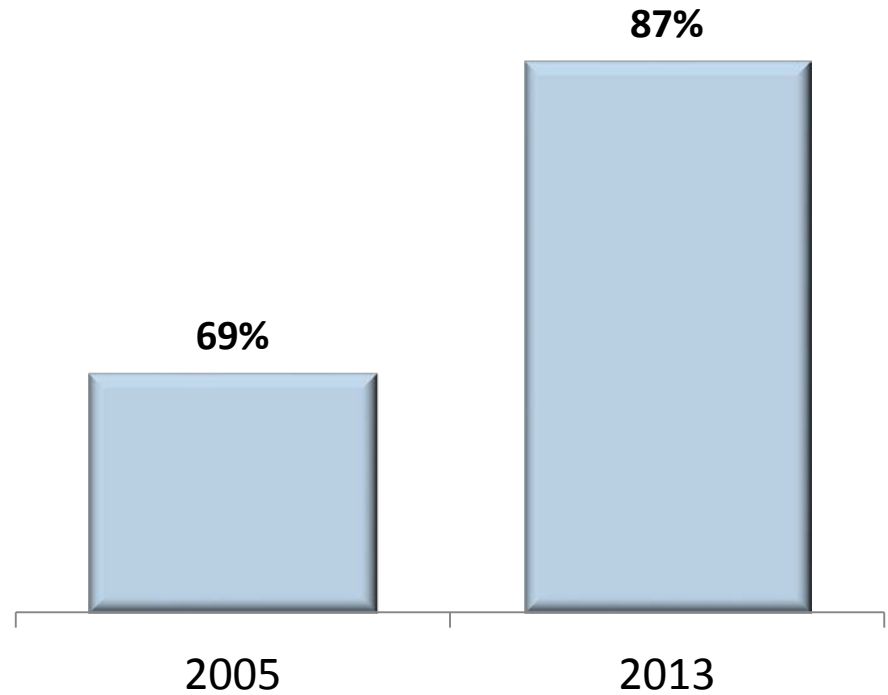


# OPERATIONAL IMPROVEMENTS HAVE REDUCED COSTS AND ENHANCED CUSTOMER SATISFACTION

MOST ON-TIME MAJOR CARRIER IN THE U.S. 4 YEARS IN A ROW



% OF FLIGHTS WITH ON-TIME ARRIVALS



**FLIGHTSTATS**

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# 60 SECONDS...

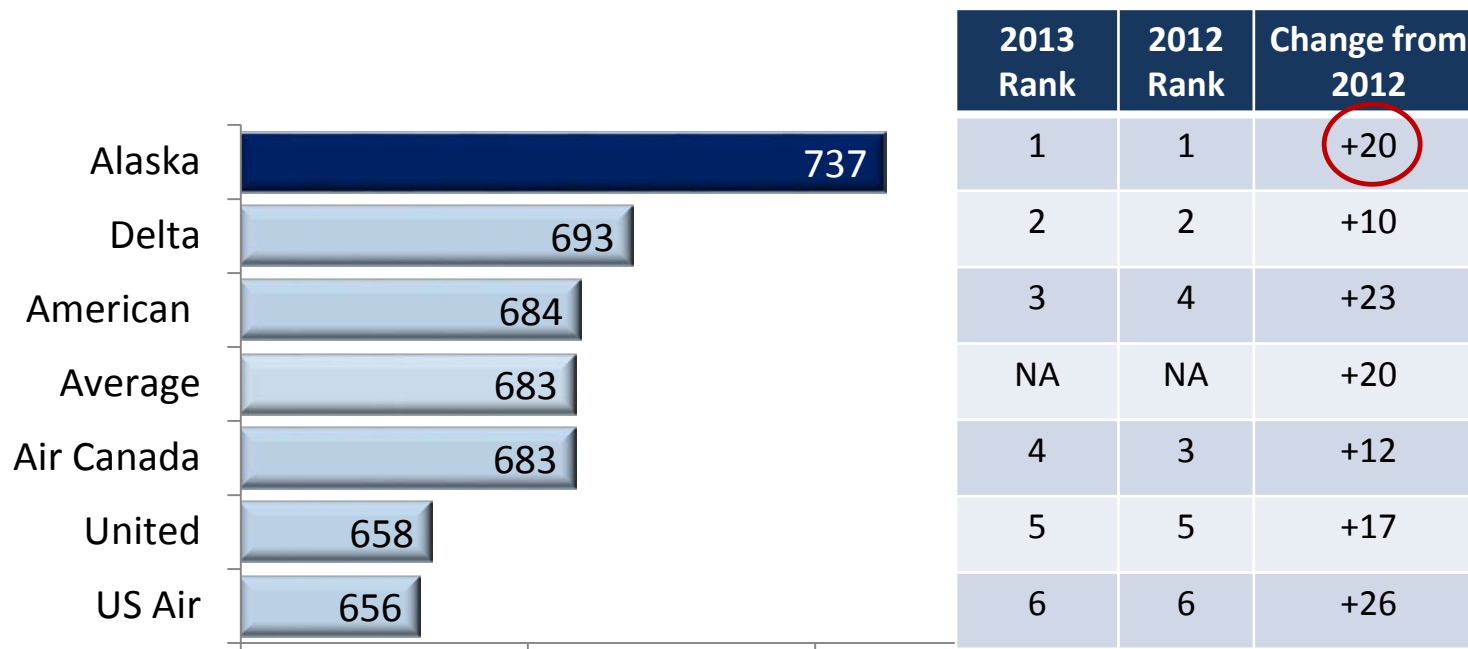
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# RANKED #1 IN CUSTOMER SATISFACTION BY J.D. POWER, 7<sup>TH</sup> YEAR IN A ROW

MILEAGE PLAN RANKED HIGHEST IN J.D. POWER'S 2014 AIRLINE  
LOYALTY/REWARDS PROGRAM SATISFACTION REPORT(SM)



Alaska Airlines ranks “Highest in Customer Satisfaction Among Traditional Carriers in North America, Seven Years in a Row.”

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# OUR EMPLOYEES ARE ENERGIZED

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OUR EMPLOYEES ARE HIGHLY ENGAGED AND PRODUCTIVE

## **PERFORMANCE-BASED PAY (PBP):**

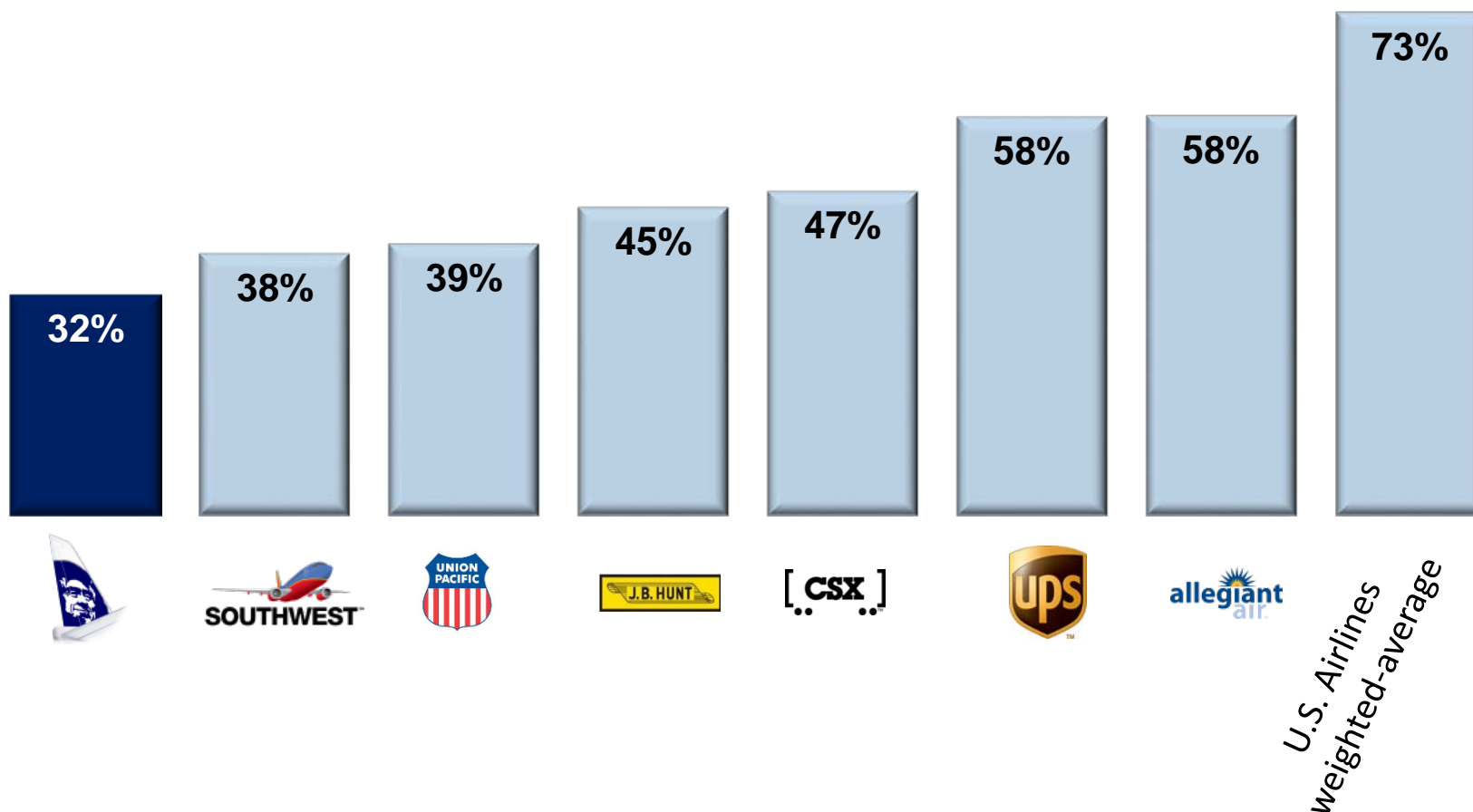
Alignment with shareholders  
and long-term plan

## **OPERATIONAL PERFORMANCE REWARDS (OPR):**

Monthly customer-focused goals



# OUR LEVERAGE IS THE LOWEST IN THE INDUSTRY



\* Adjusted debt-to-capitalization as of June 30, 2014

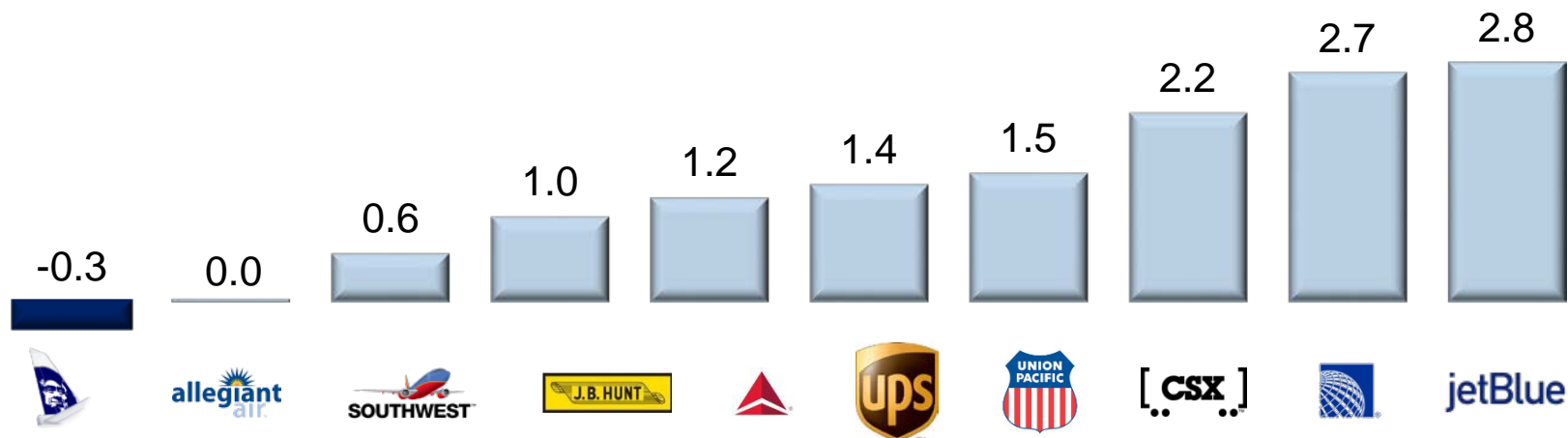
\* Using NPV of remaining aircraft lease payments rather than 7x rents

Source: Press releases and company financial reports.

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# AND OUR BALANCE SHEET POSITIONS AIR GROUP AS A HIGH QUALITY INDUSTRIAL

NET DEBT\* TO LTM EBITDAR AS OF JUNE 30, 2014









## Other sources of liquidity

- \$200 million available on lines of credit
- 47 unencumbered Boeing 737-800/900/900ER aircraft

\* Net debt includes capitalized operating leases at 7x annual rent. Source: Company filings.

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# ALK IS ONE OF THE ONLY TWO U.S. AIRLINES WITH AN INVESTMENT GRADE CREDIT RATING

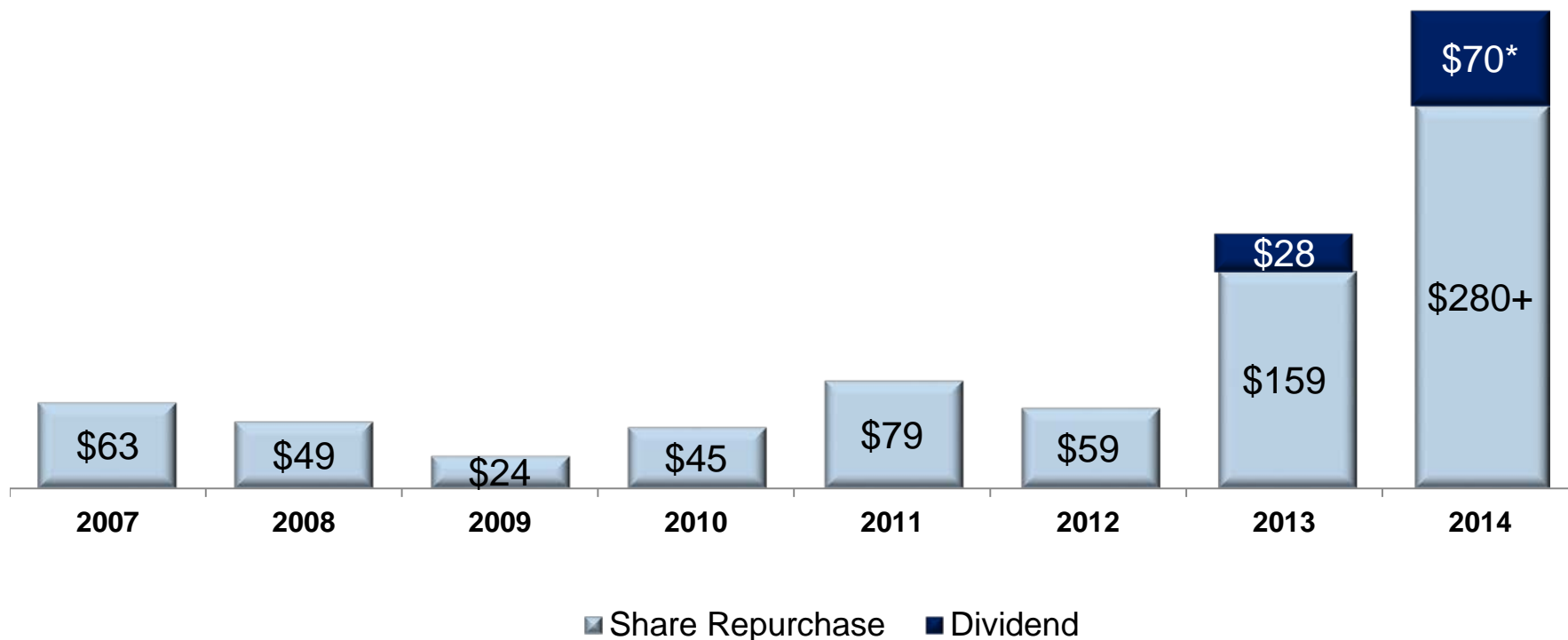
Fitch Airline Ratings	
BBB+	
BBB	
BBB-	
<hr/>	
BB+	
BB	 +
BB-	
B+	 + jetBlue 
B	
B-	

Investment  
Grade

# WE HAVE RETURNED OVER \$250M TO OUR SHAREHOLDERS SO FAR THIS YEAR

REPURCHASED \$100M OF STOCK SINCE 2Q EARNINGS RELEASE

**\$650 million buyback program approved in 2014**



\* Dividend based on quarterly amount per share of \$0.25 (subject to Board approval).

+ Share repurchase based on current expected case – subject to change.

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