

Alaska Air Group

2020 Annual Stockholder Meeting Questions and Answers

May 7, 2020

Please note: A name is indicated in response to questions answered by that individual during the meeting.

IDITAROD SPONSORSHIP

Why did Alaska stop sponsoring the Iditarod?

DIANA BIRKETT-RAKOW: A number of our employees participate with the Iditarod and it is something special in Alaska. We've been a grateful partner with the Iditarod and the mushers and dogs for many years, focused on safety and travel of vets, veterinarians and the dogs. And, we have been working closely with the Iditarod and appreciate the effort they put into continuing to improve and ensure safety and safety oversight over the last few years. In the last few years, we focused more of our own resources to support the community particularly focused on young people and education and career opportunities, such as the 3,500 young people we supported through the Alaska Native Science and Engineering Program. So, we let the Iditarod know late last year that this spring's race would be our last year as sponsors. We are keeping those resources in the state to support other local needs for young people and communities, and we will continue to sponsor the two Iditarod qualifying races, the Kuskokwim 300 in Bethel and the Kobuk 440 in Kotzebue.

FUEL COSTS

Has Alaska Air taken advantage of depressed aviation fuel costs? If so what do you project the impact being to your bottom line – balance sheet?

SHANE TACKETT: We do hedge normally 50% of our expected fuel consumption. We've done this for many, many years now. The type of mechanism we use are caps on the price of oil out in the future, limiting our exposure to large rises in the fuel price. Right now, given the low price of fuel, none of those hedges are providing benefits. But we are taking advantage of the much lower jet fuel prices as we do operate the 20% of our schedule that we have been doing so in the last few months. As we look forward, there is an opportunity to purchase hedges at the current – on the current market. However, they are very expensive. And as we are first and foremost focused on cash preservation, it doesn't make sense for us to change our approach right now as we are effectively hedged at over 100% of our planned consumption for the rest of the year. As the situation starts to improve, we'll be able to reevaluate the program. And if there's an opportunity to get value from lower fuel prices, we will take action to do so then.