



Alaska Air Group

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Cowen Transportation Conference, Boston - Sept 9th, 2015

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 building a balanced high quality business



A Great Place to Work for Our Employees



Running a Safe and Reliable Operation



Growing Our Airline and Strengthening the Network



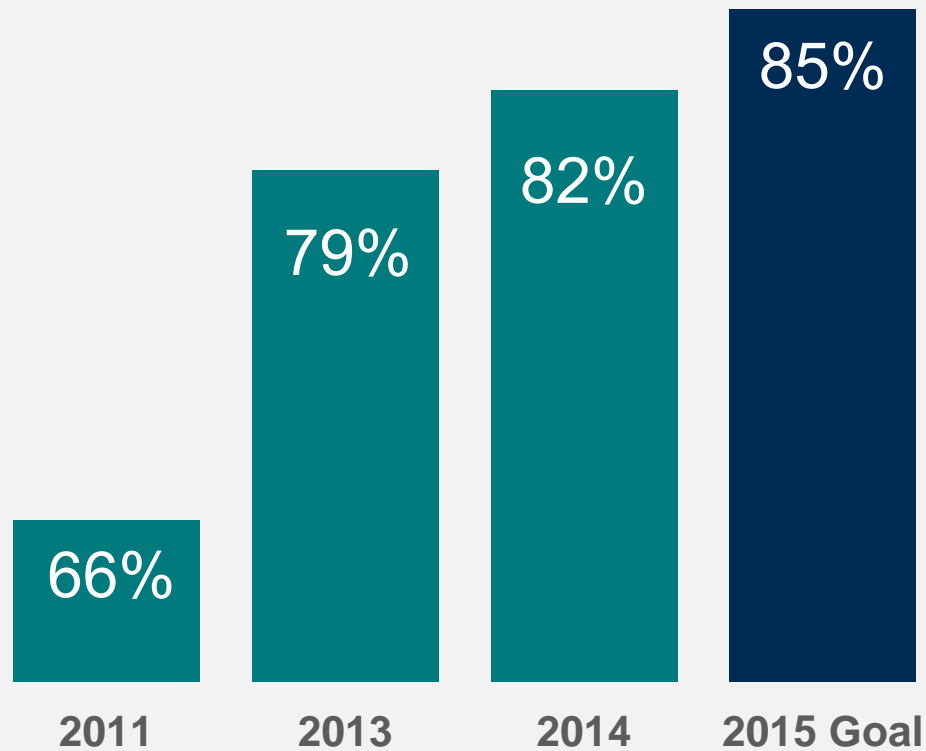
Keeping Our Costs Low



Creating Long-Term Value for Our Shareholders

Our 14,000 employees are engaged and driving our company forward

ALASKA AIR GROUP EMPLOYEE ENGAGEMENT



2012 did not have an employee engagement survey

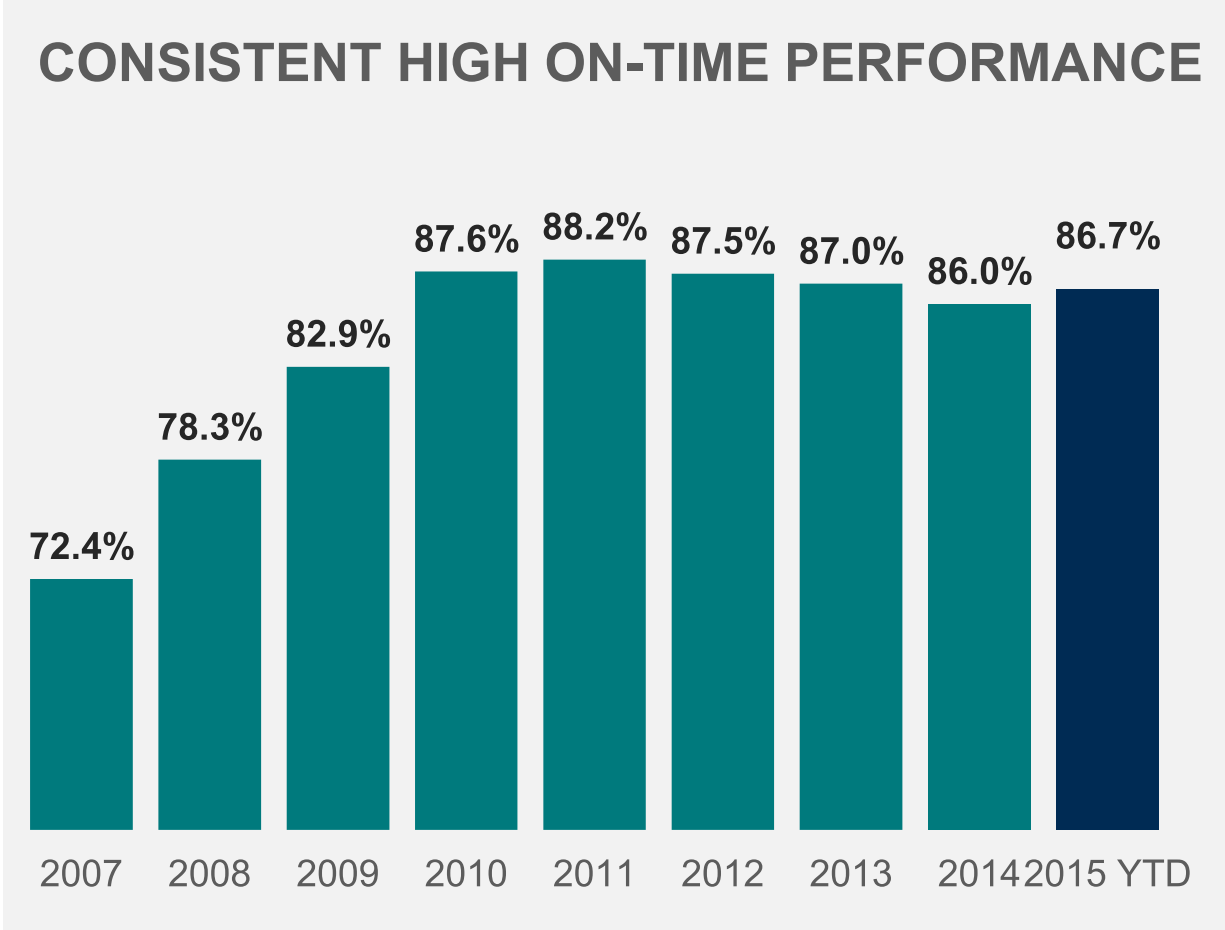
TOP 100 EMPLOYER

Forbes | 2015
AMERICA'S BEST
EMPLOYERS

POWERED BY STATISTA



We have led the industry in on-time performance over the last 5 years



In January, the Wall Street Journal ranked us #1 airline on key operational 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.

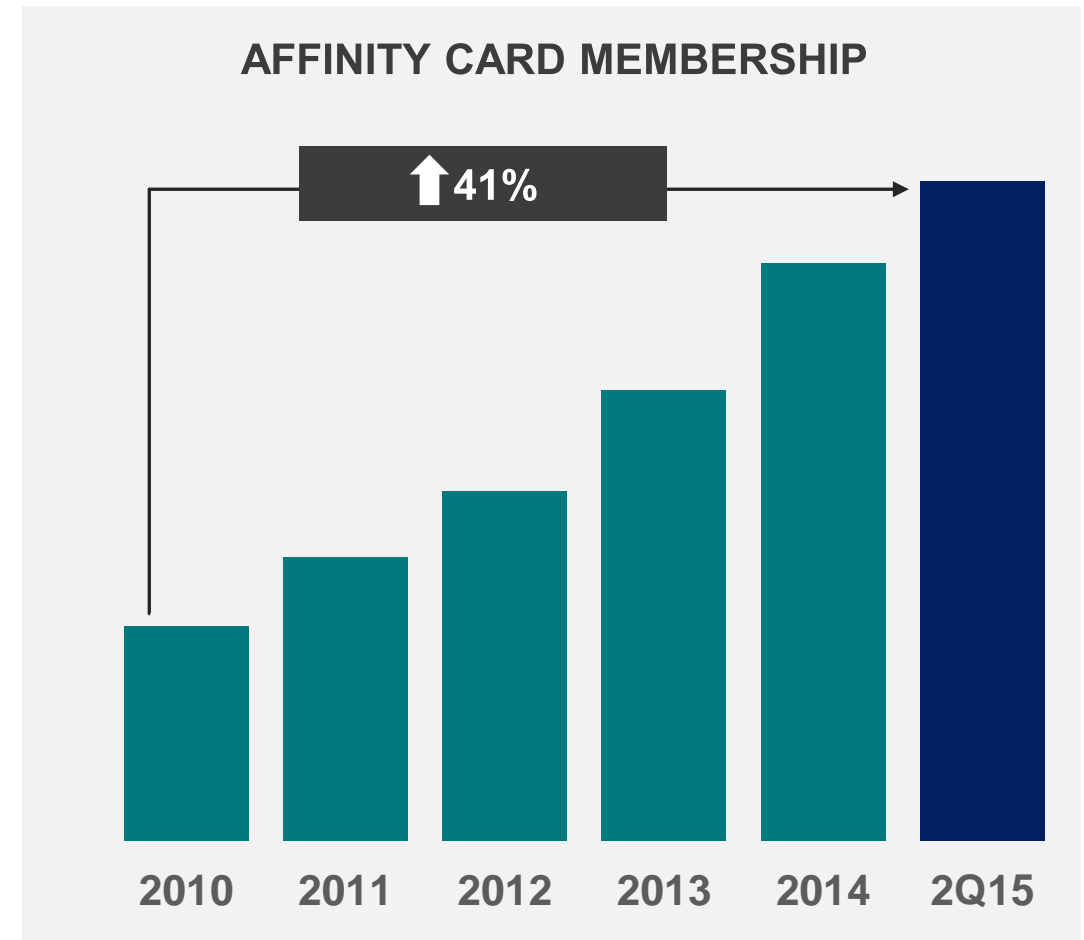
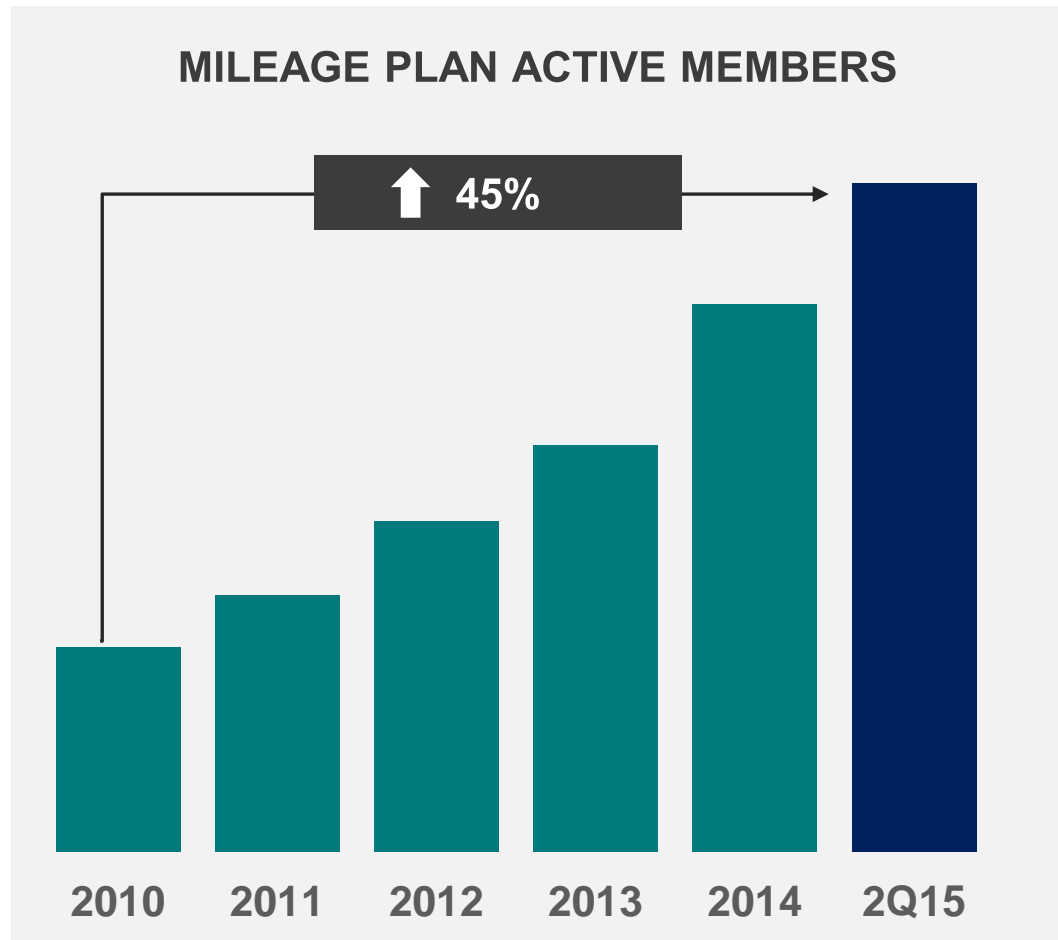
Alaska Airlines #1 two years running,
ahead of biggest U.S. carriers

Alaska

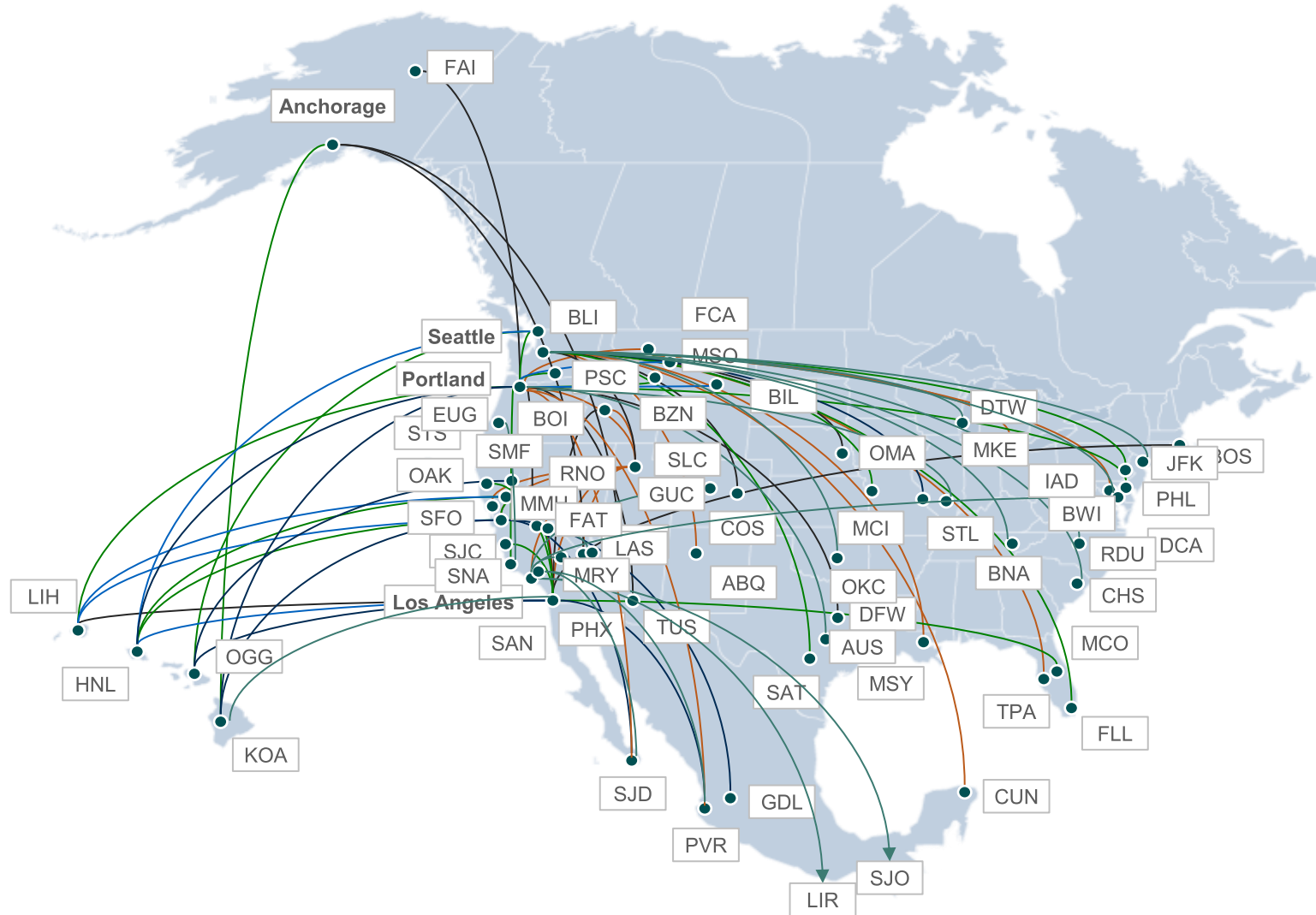
We were ranked #1 in customer satisfaction by J.D. Power for the 8th year in a row



Genuine caring service and industry leading reliability have helped us grow our loyal customer base by over 40% in the last 5 years...



...And enabled our entry into 90 new markets, adding \$2.1B in revenue...



15 New Markets in 2010

6 New Markets in 2011

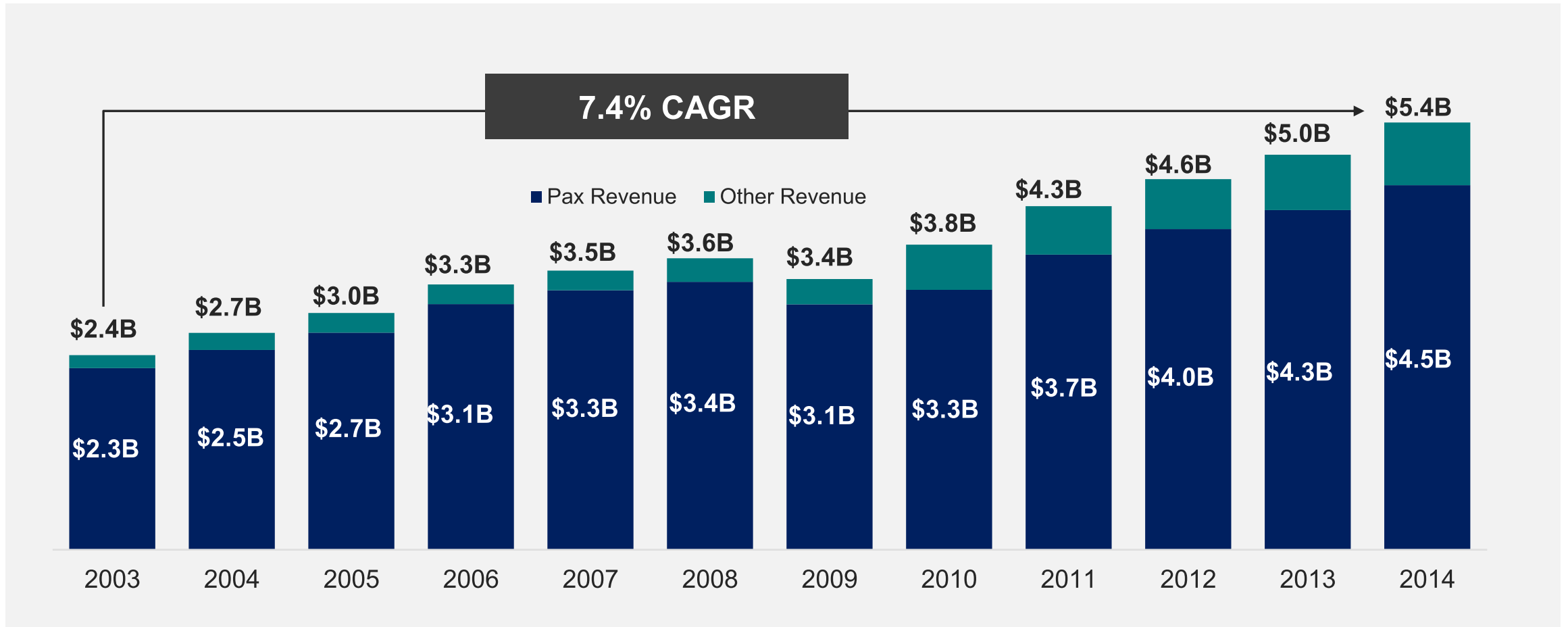
19 New Markets in 2012

13 New Markets in 2013

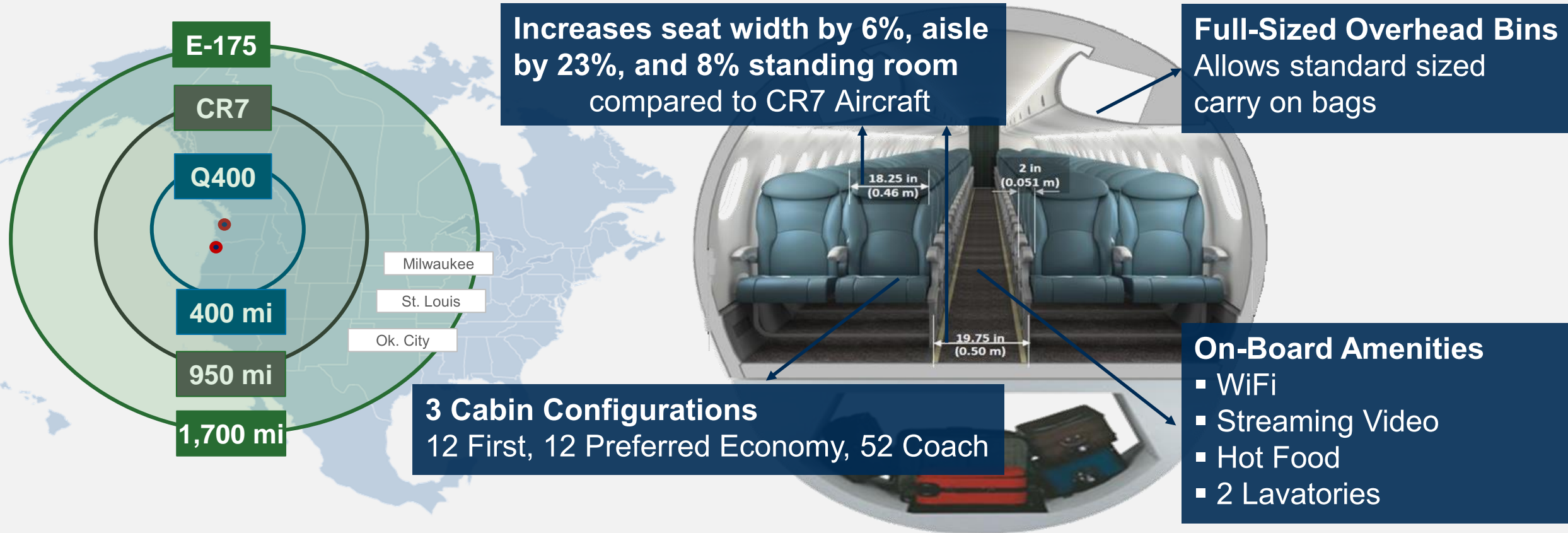
16 New Markets in 2014

21 New Markets in 2015*

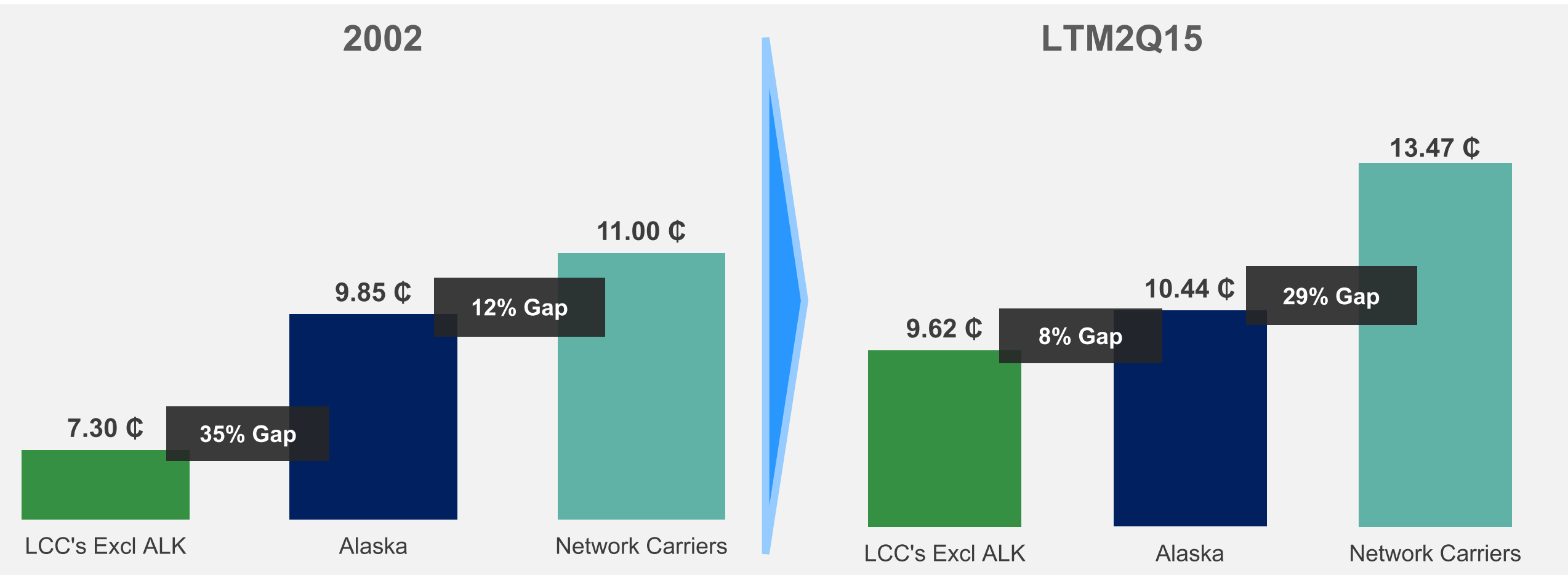
Alaska's revenue has more than doubled over the last 12 years...



E-175's are opening up new routes that are too far for the Q-400 and too thin for 737's – 4 new markets to be launched this year

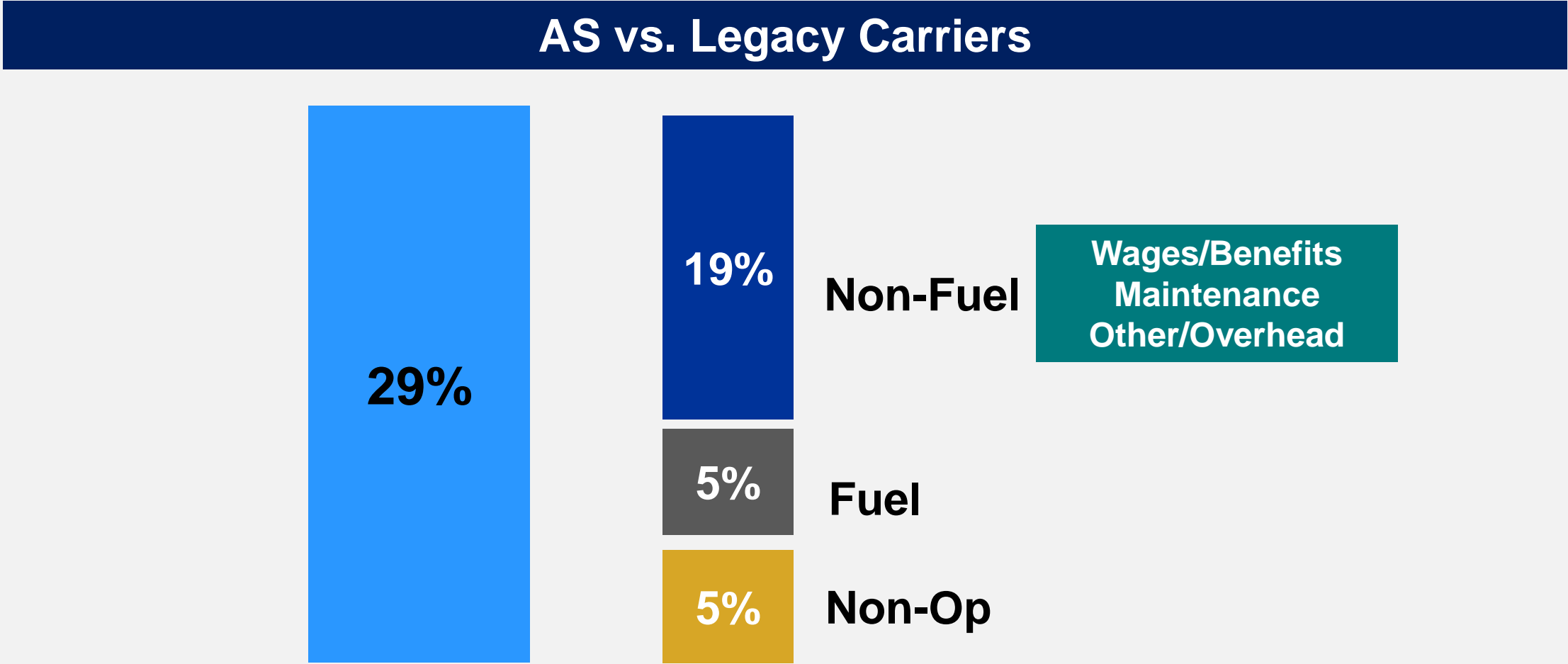


We have reduced our costs and today our cost structure resembles LCC's and provides a sustainable advantage against network carriers



Expect CASM ex-fuel to be down 0.5% in 2015

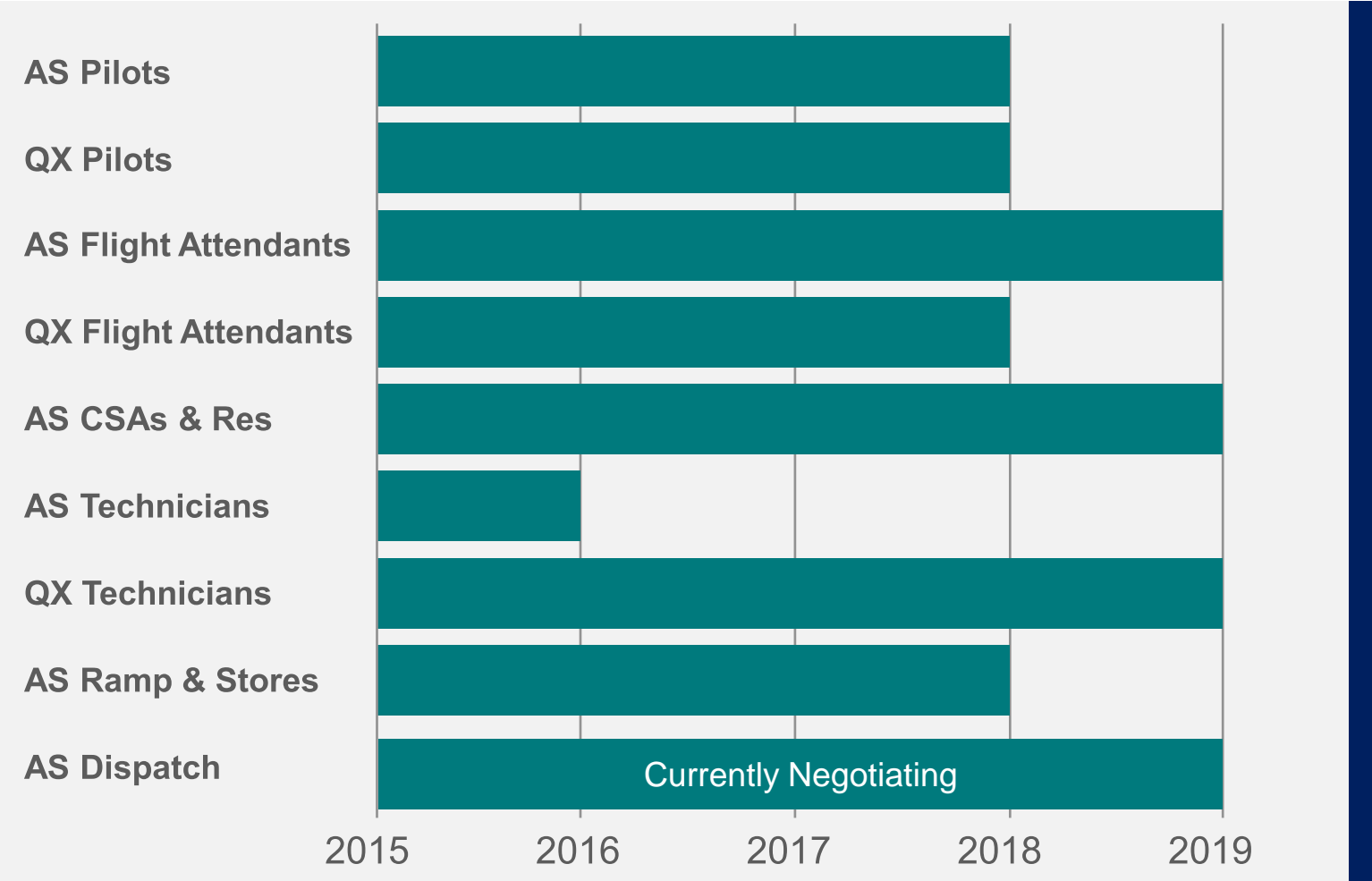
Drivers of our cost advantage



Includes fuel and non-op (interest expense)



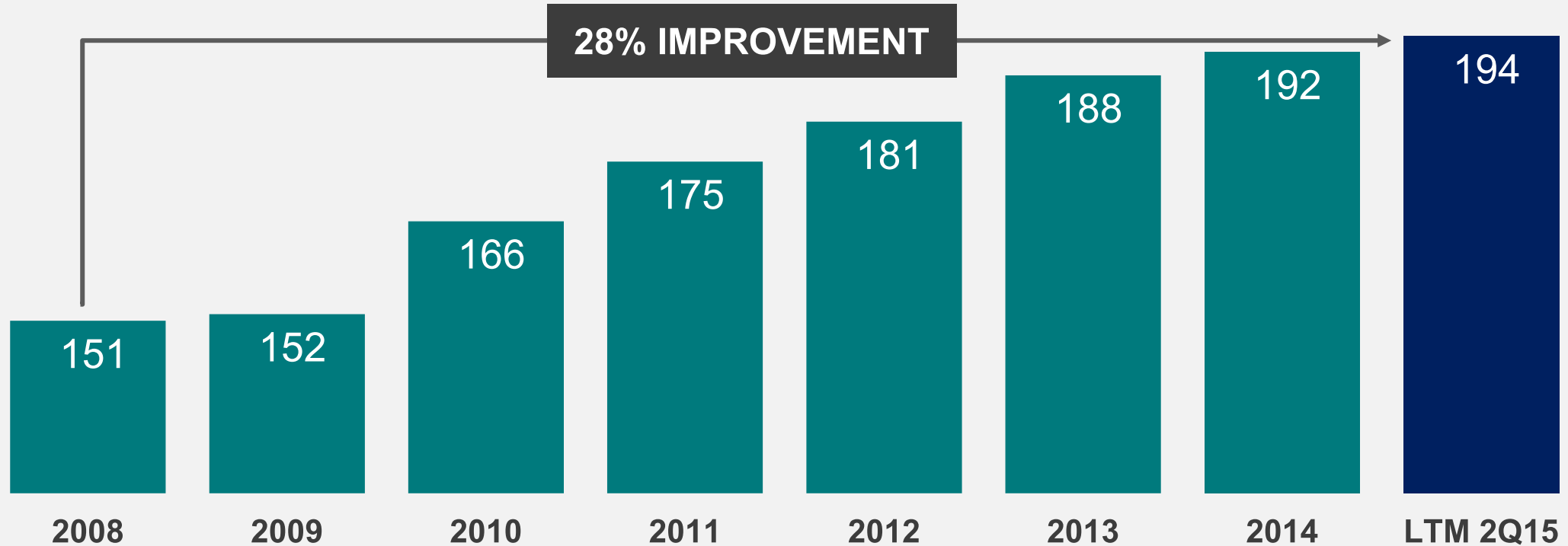
Our long term labor contracts provide stability in our business



Weighted average length of our contracts is ~ 3.5 years

Our productivity continues to improve consistently

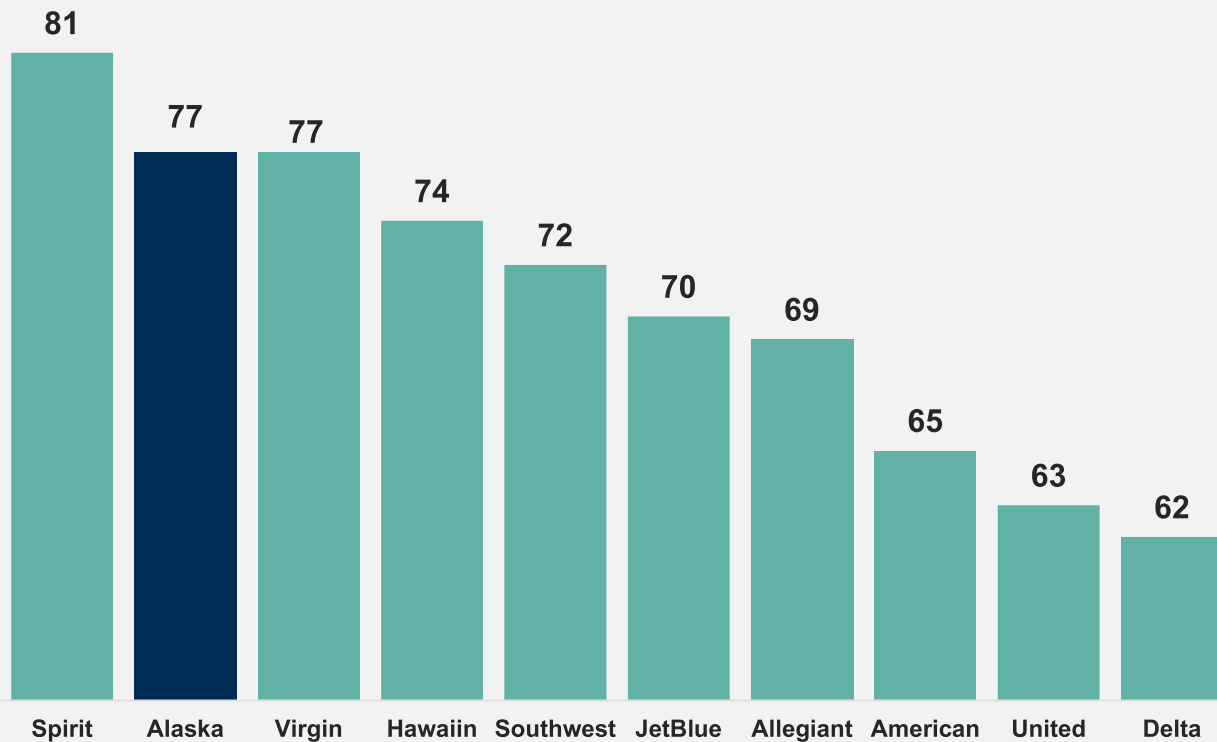
PRODUCTIVITY – PAX/FTE



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

While fuel prices have declined, fuel still constitutes ~25% of our expense and we have improved fuel efficiency 2.5% in 1H15

FUEL EFFICIENCY – ASM's/GALLON



Our fuel efficiency should continue to get better



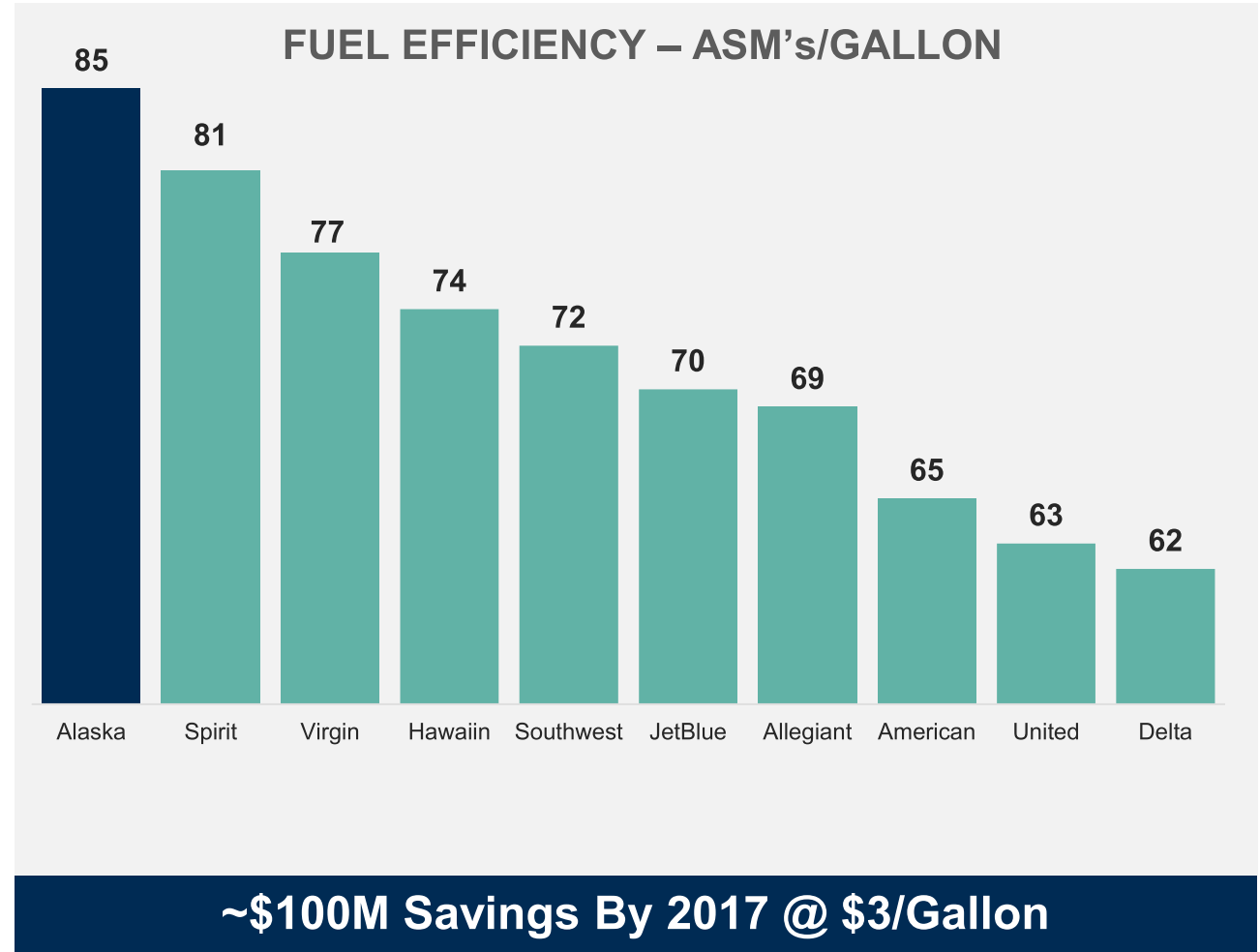
**737-400
Replacements**



**Split Scimitar
Winglets**



**Operational
Efficiency**





Split Scimitar Winglets

Capex

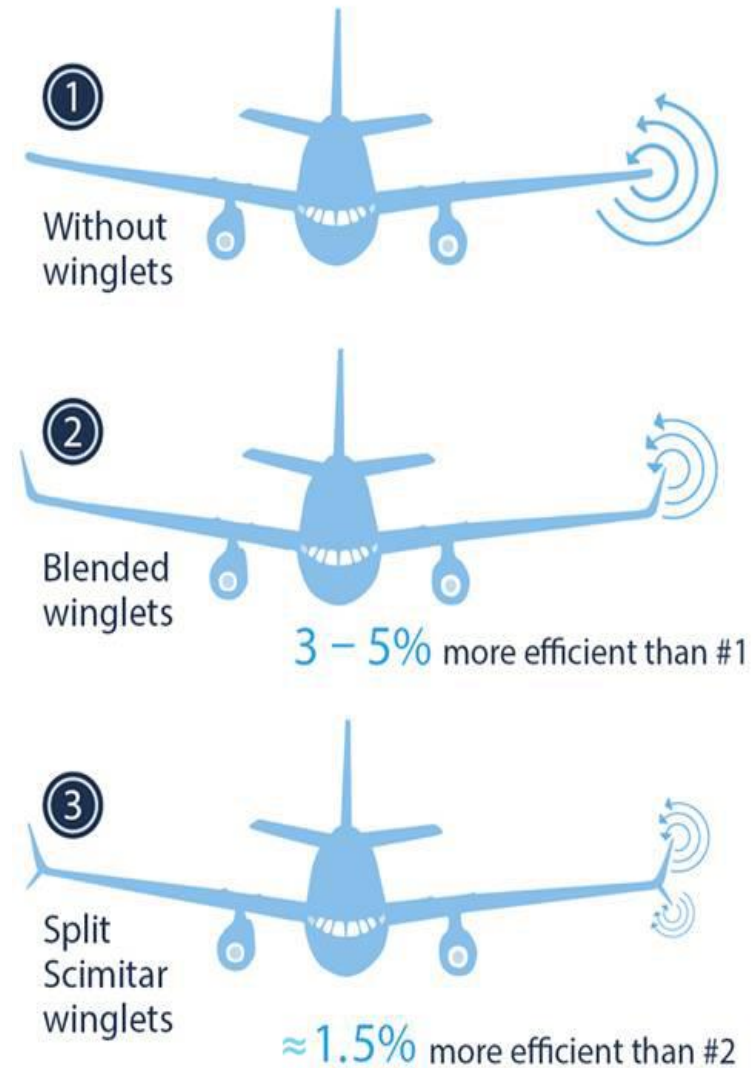
\$40M

Efficiency

↑ 1.5%

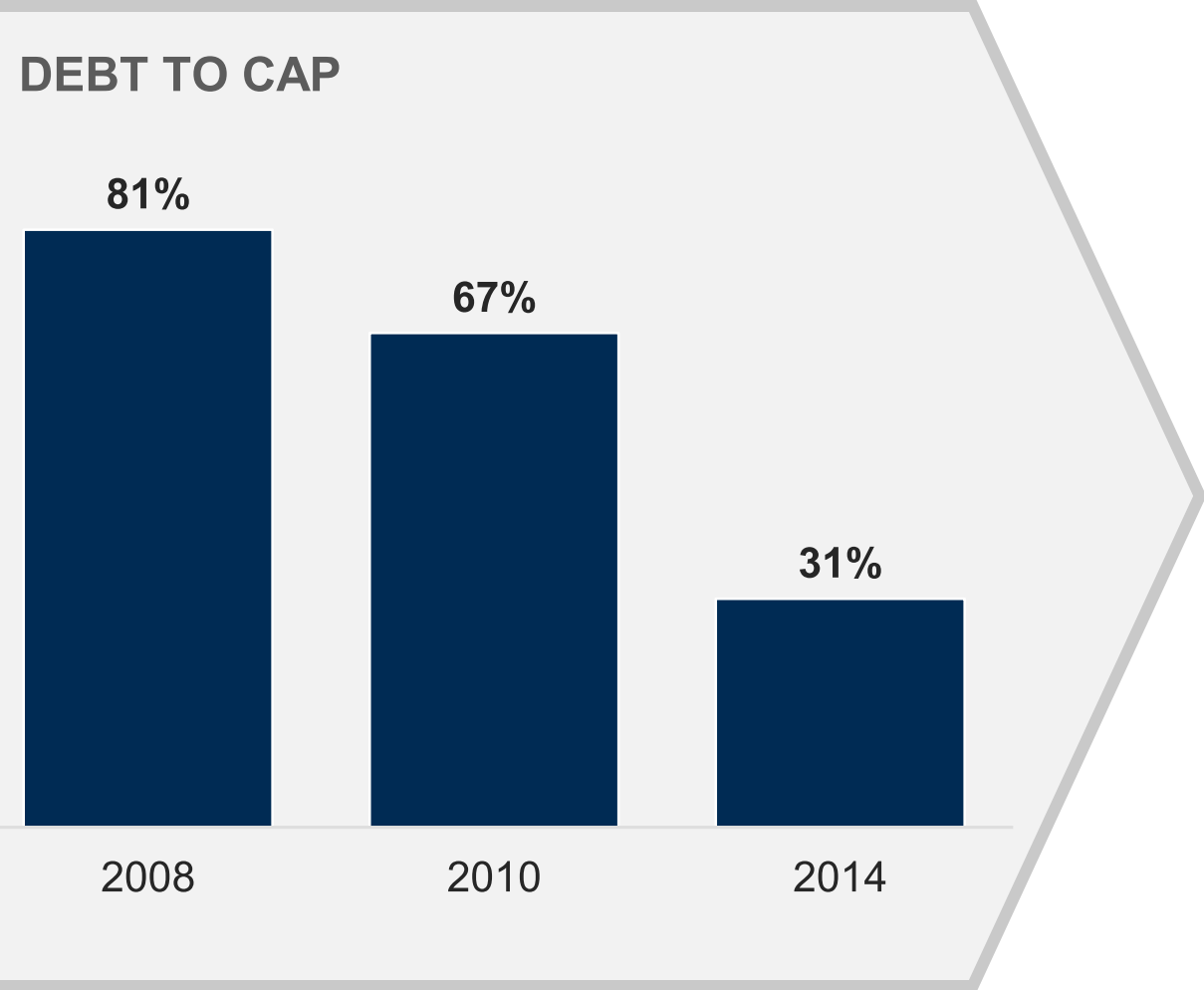
Fuel
\$ Savings















↑ \$18M



Alaska

We have no net debt – a source of cost advantage today and cheaper access to capital

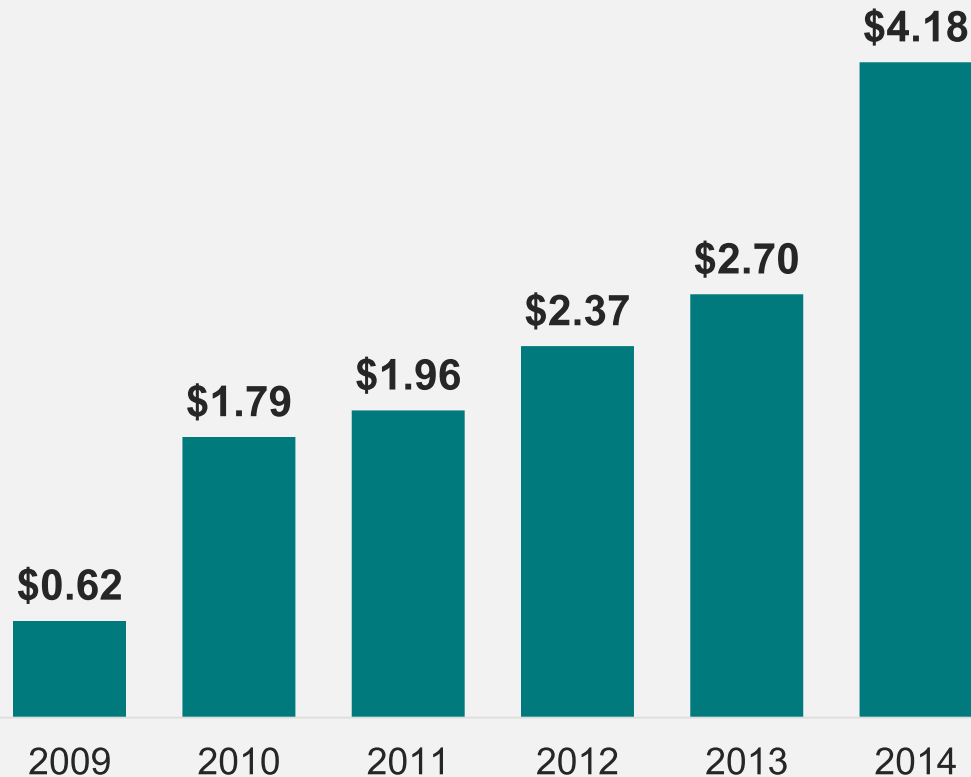


Airline Credit Rating		
	S&P	Fitch
BBB+		
BBB	 SOUTHWEST	 SOUTHWEST +
BBB-	 Alaska	 Alaska
BB+		
BB	 allegiant	 +
BB-	  +	
B+	 jetBlue 	 jetBlue  +
B		 +
B-		

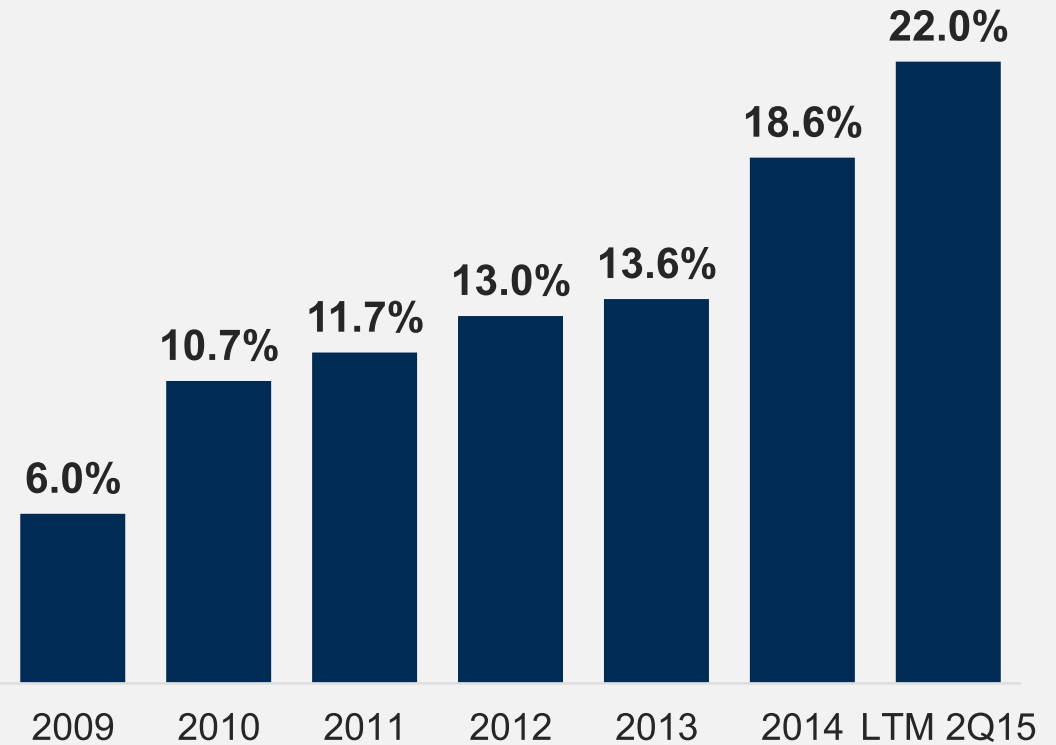
Investment Grade

Growing our revenues and keeping our costs low has allowed us to deliver superior results

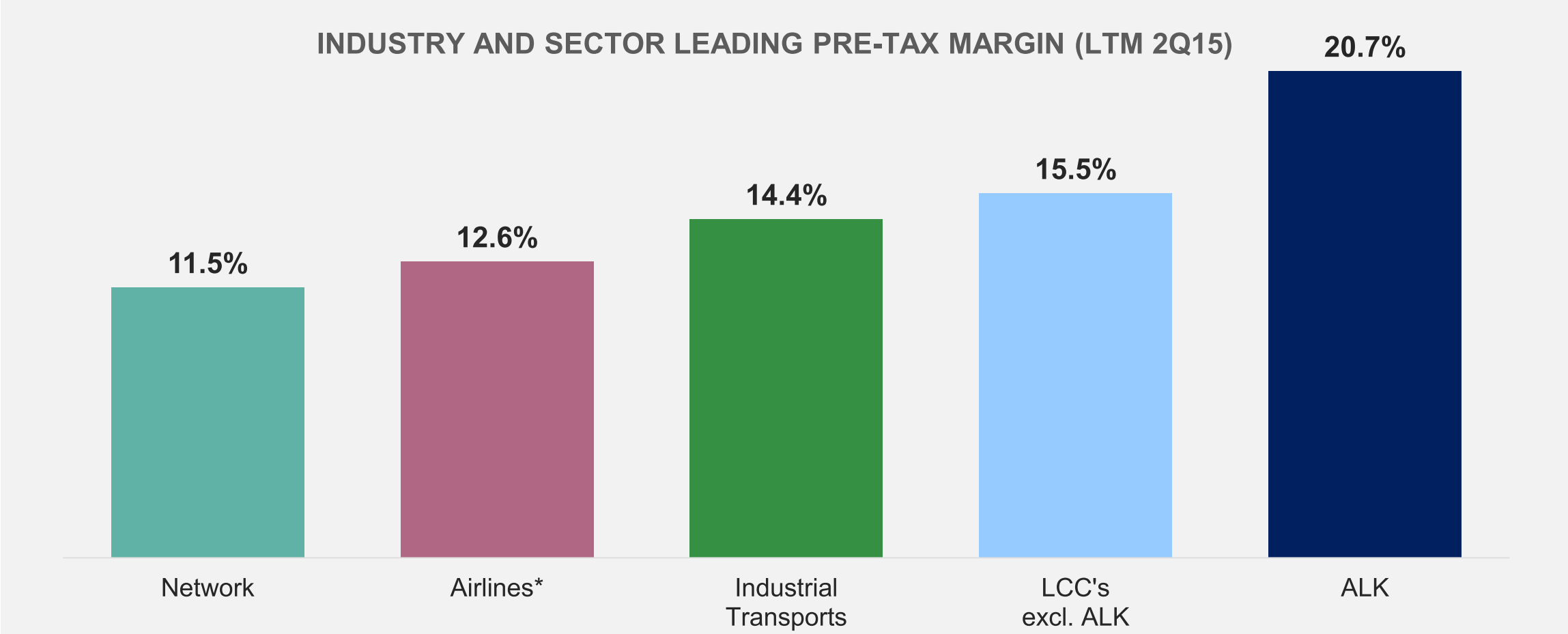
EARNINGS PER SHARE



AFTER-TAX RETURN ON INVESTED CAPITAL



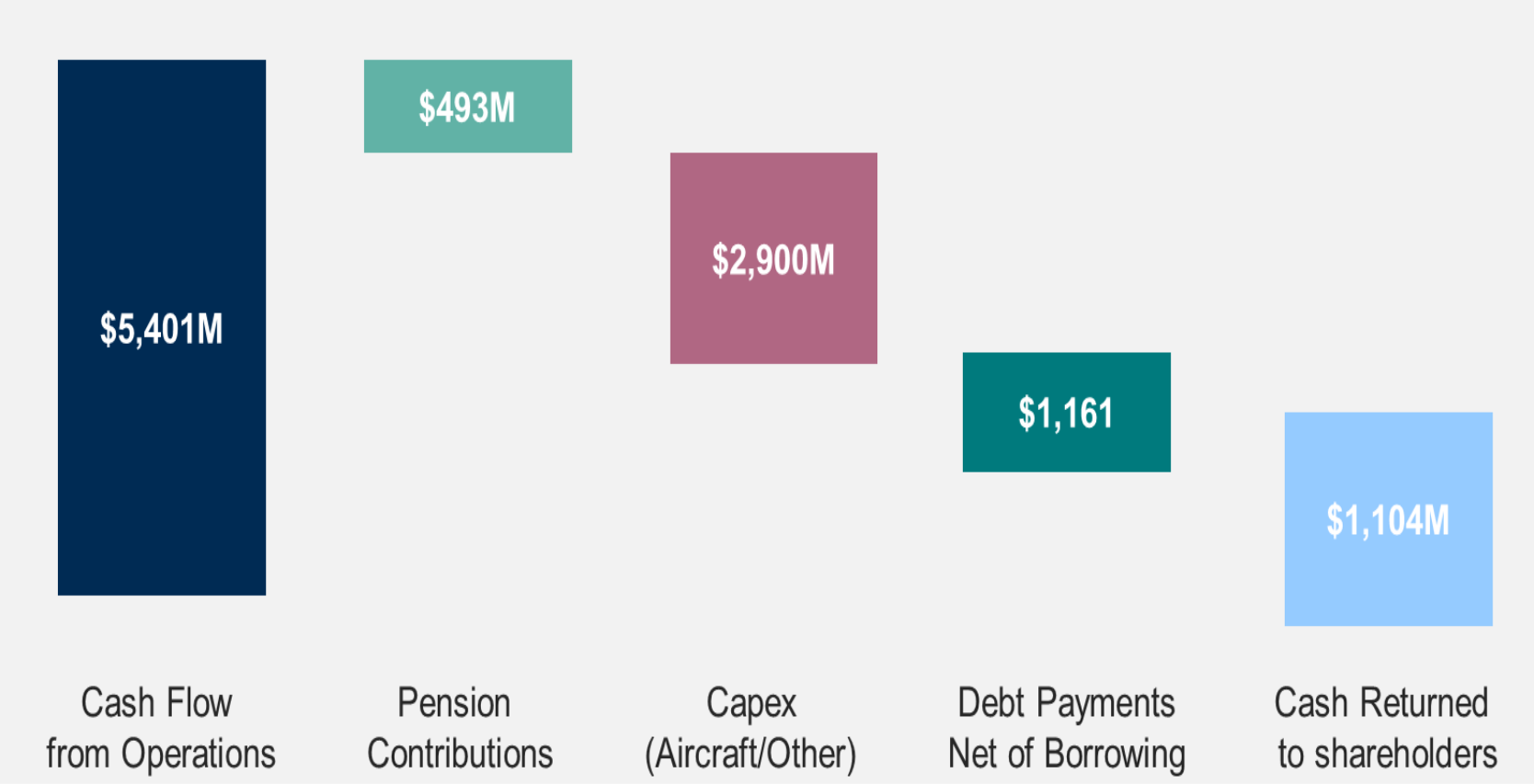
Our results are consistently at the top of the sector, and compare favorably with high quality industrial transportation companies



Network: AAL, DAL, UAL. LCC's excl ALK: LUV, HA, JBLU, SAVE, and ALGT
Airlines* includes legacy and low cost carriers
Industrial Transport companies include 21 companies across the rail, parcel, truckload, intermodal, LTL and forwarders/brokers



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

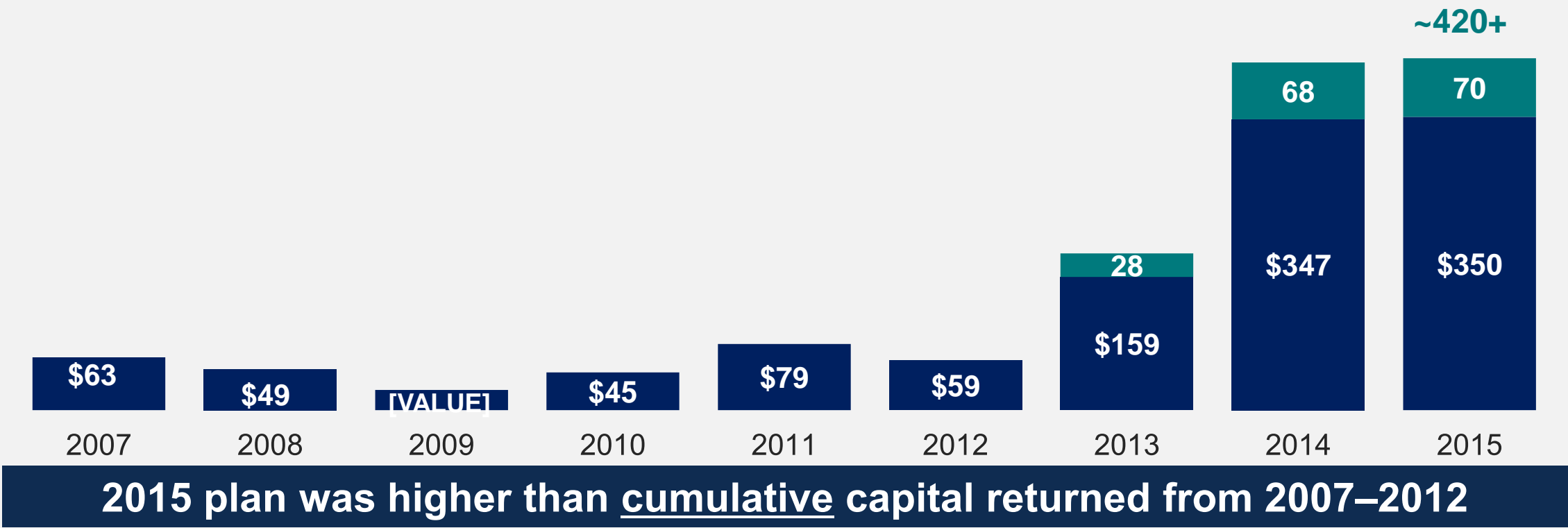


Strong Capital Returns to Shareholders



Our plan at investor day last year was to return ~\$420M to shareholders in 2015

ANNUAL CAPITAL RETURNS (\$ IN MILLIONS)

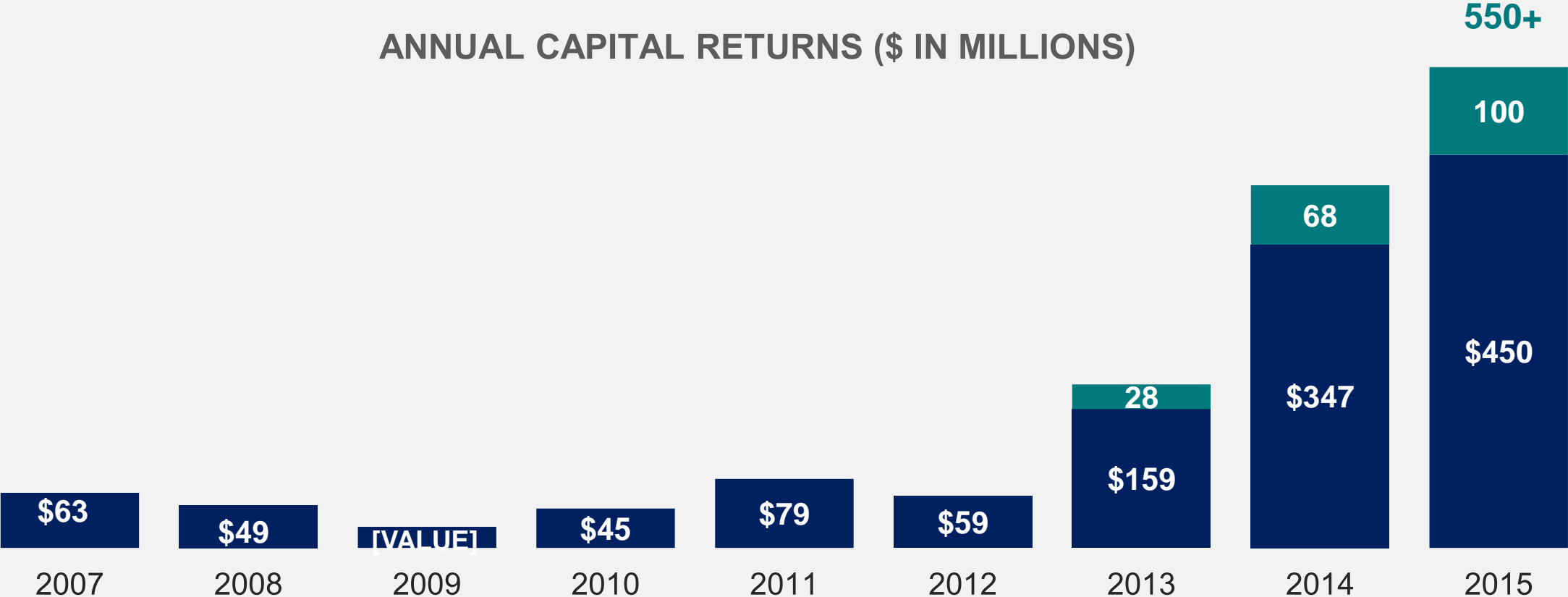


* Dividend spend subject to Board approval.
+ Share repurchase based on current expected case – subject to change.



We increased that goal by 30% to at least \$550 Million in late April...

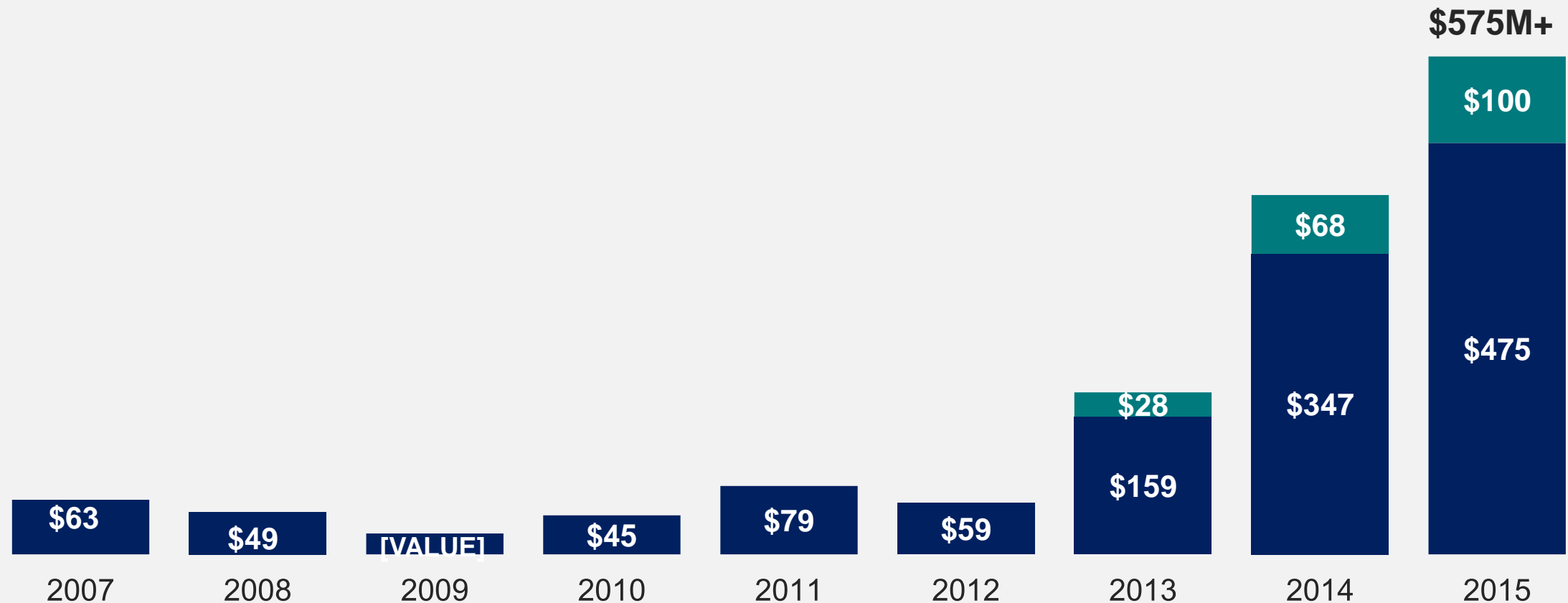
ANNUAL CAPITAL RETURNS (\$ IN MILLIONS)



* Dividend spend subject to Board approval.
+ Share repurchase based on current expected case – subject to change.



Driven by strong cash flows, we are now increasing our shareholder returns to at least \$575 million in 2015 supported by our new \$1 Billion repurchase authorization



Shareholder returns are now expected to be ~37% higher than initial 2015 plan

We are building a balanced business that is durable and creates long-term value for our shareholders

Running a Solid Operation



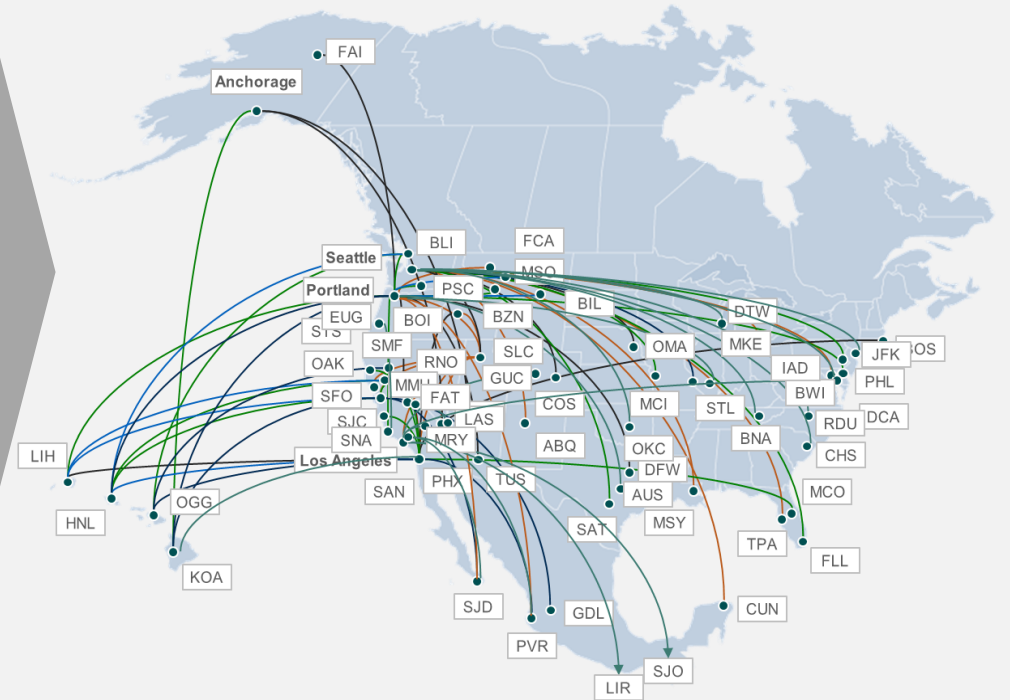
Taking Care of Customers



Lowering Our Costs (Fuel and Non-fuel)



Growing Revenue and Strong Margins



Strong returns to shareholders



Q&A

Alaska