



2017 Stockholders Meeting

Alaska Air Group

Safe harbor

This presentation may contain forward-looking statements subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These statements relate to future events and involve known and unknown risks and uncertainties that may cause actual outcomes to be materially different from those indicated by any forward-looking statements. For a comprehensive discussion of potential risk factors, see Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as well as in other documents filed by the Company with the SEC after the date thereof. Some of these risks include competition, labor costs and relations, general economic conditions, increases in operating costs including fuel, inability to meet cost reduction goals, seasonal fluctuations in our financial results, an aircraft accident, changes in laws and regulations and risks inherent in the achievement of anticipated synergies and the timing thereof in connection with the acquisition of Virgin America. All of the forward-looking statements are qualified in their entirety by reference to the risk factors discussed therein. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict such new risk factors, nor can it assess the impact, if any, of such new risk factors on our business or events described in any forward-looking statements. We expressly disclaim any obligation to publicly update or revise any forward-looking statements after the date of this report to conform them to actual results. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and materially adverse.

Overview



Our Strategy

Brad Tilden, Chief Executive Officer



Running our Business and Integrating Virgin America

Ben Minicucci, President & Chief Operating Officer, and Chief Executive Officer Virgin America



Growing Our Airline

Andrew Harrison, EVP & Chief Commercial Officer



Creating Long-Term Value

Brandon Pedersen, Chief Financial Officer



Our purpose:
Creating an airline people love



And our shared values define “the how”



Own
safety



Do the
right thing



Be
kind hearted



Deliver
performance



Be
remarkable

The Five Focus Areas define our strategy



**Be safe and
on time**



**Focus on
people**



**Build a deep,
emotional
connection
with our brand**



**Defend and grow
our customer
base**



**Win with
low costs
and low fares**

Be Safe and On Time

We are focused on running a strong underlying business

THE WALL STREET JOURNAL.

	2016	2015	2014	2013
1	Alaska	Alaska	Alaska	Alaska
2	Delta	Virgin America	Virgin America	Delta
3	Virgin America	Delta	Delta	Virgin America
4	Southwest	Southwest	JetBlue	Southwest
5*	JetBlue (tie)	JetBlue	Southwest	JetBlue

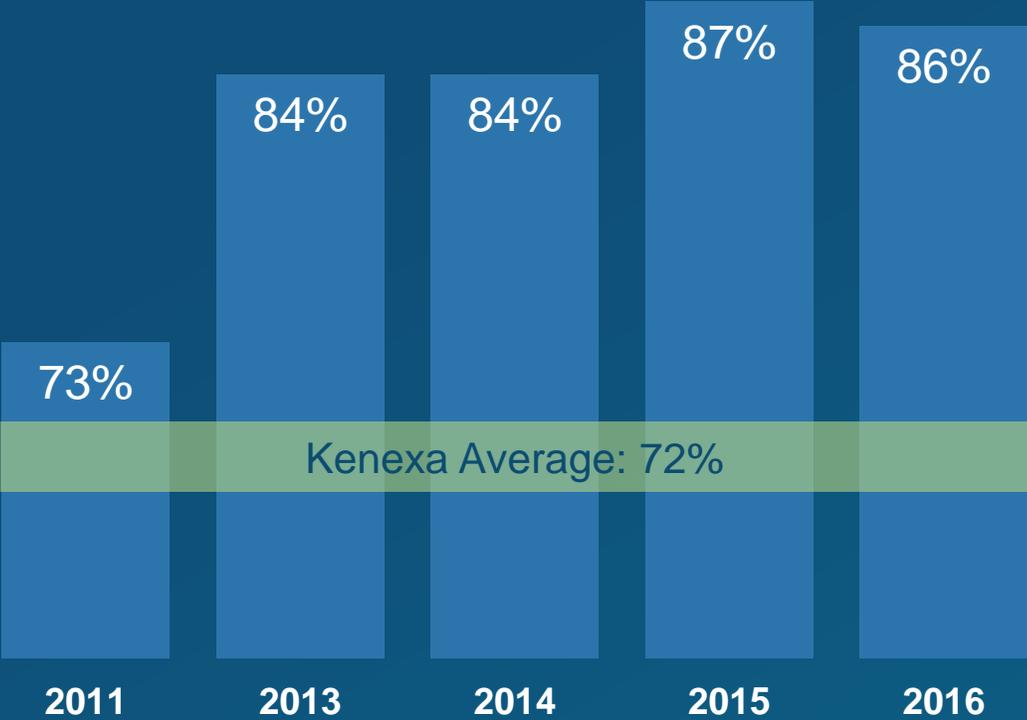
#1



Focus on People

We have a long track record of engaged employees...

Employee engagement scores



2012 did not have an employee engagement survey



...and are emphasizing engagement and culture as we go through integration



5,000

employees & teammates completed

culture survey

50

focus groups used to **refine values**



24

Momentum sessions held

Aligning all **19,000** employees to our purpose

Focus on People

Labor philosophy has not changed due to the merger



Pay Well



Good Benefits



High Productivity

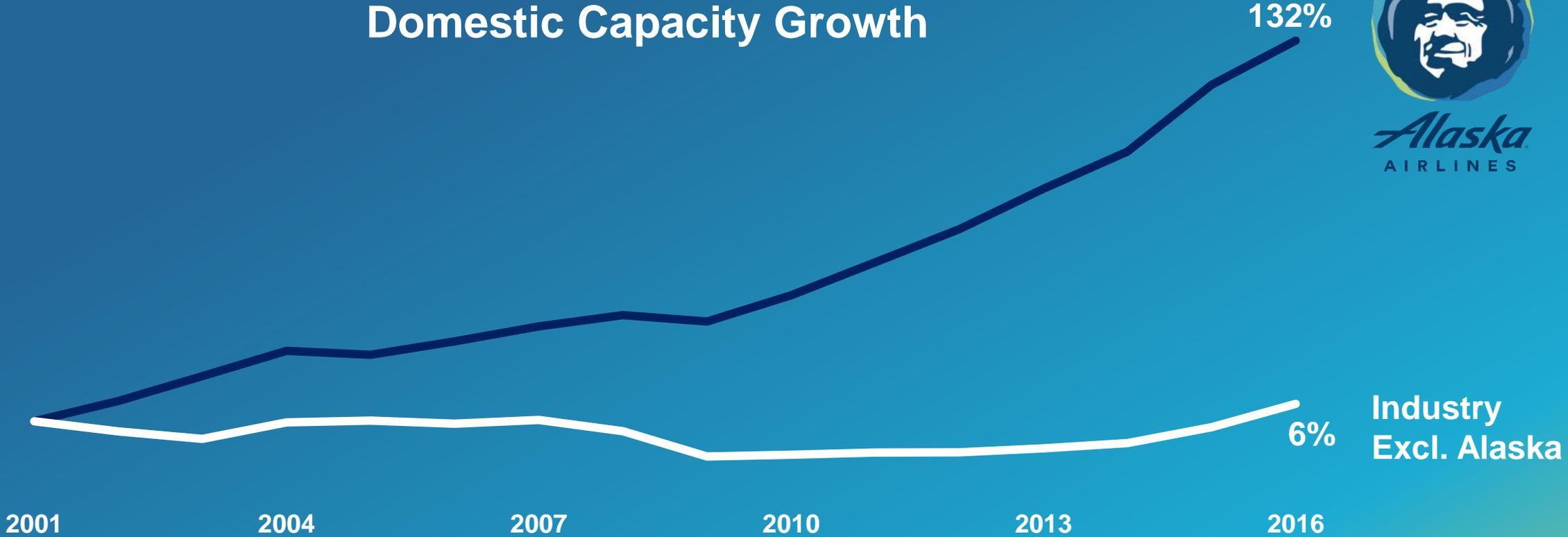


Aligned Rewards

Sustainable cost advantage creates growth and stability

This model is balanced and drives long-term growth

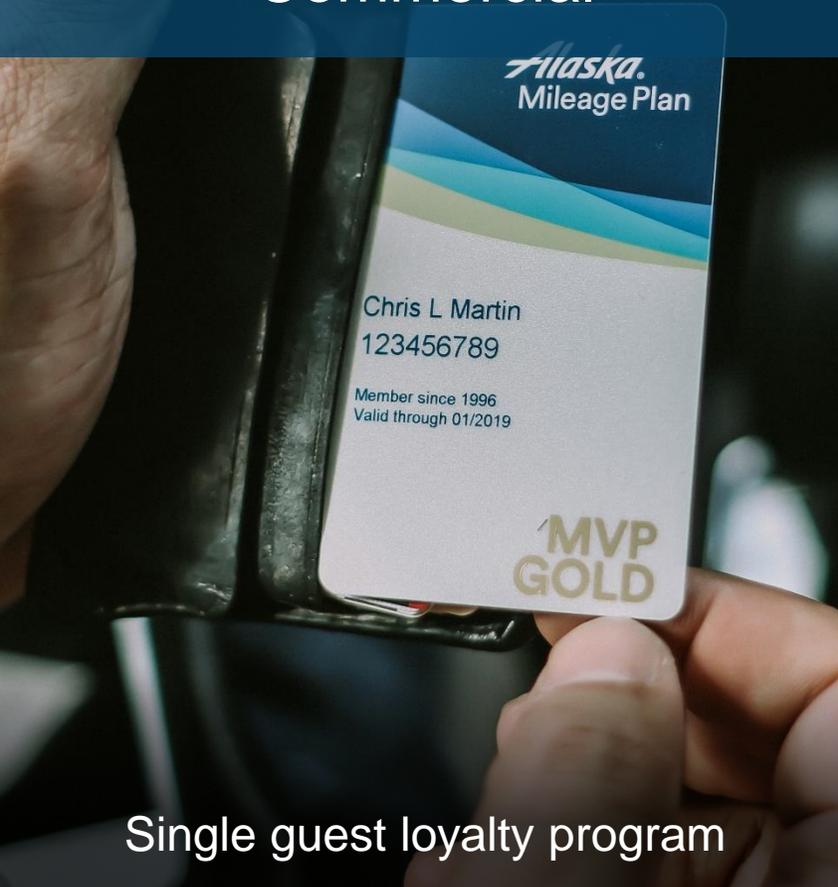
Domestic Capacity Growth



Industry includes: AA, CO, DL, NW, TW, UA, US, B6, FL, F9, G4, HA, HP, NK, VX
Data sourced from DOT T-100 data for US domestic capacity only

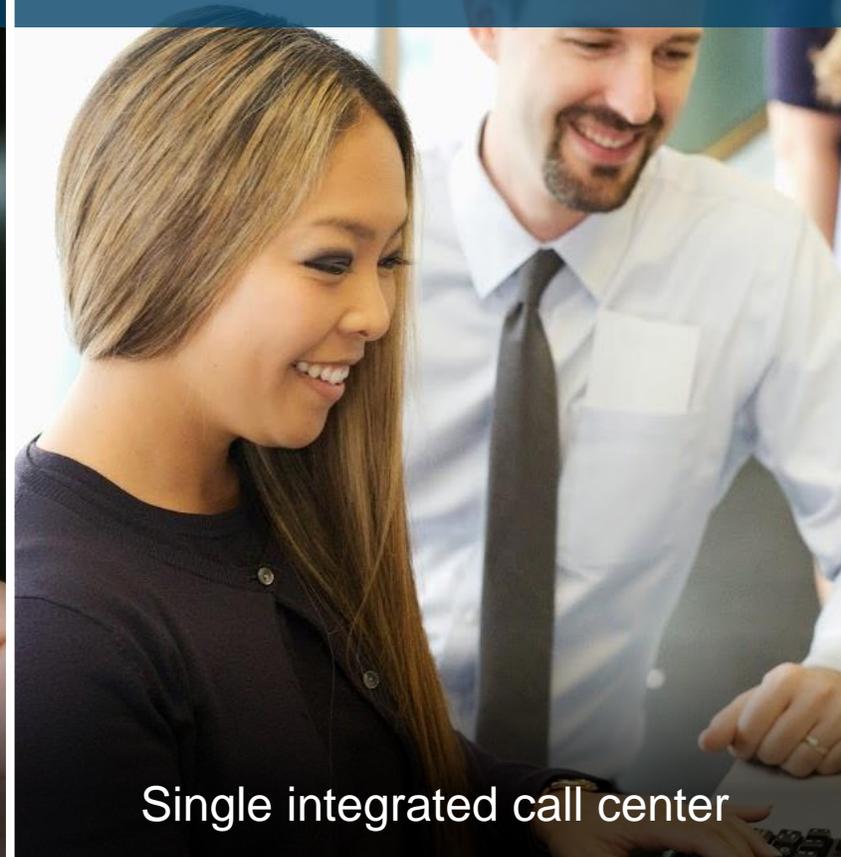
Integration: We've identified 20 goals that are directly mapped to synergies and the IMO is 'quarterbacking' the process

Commercial



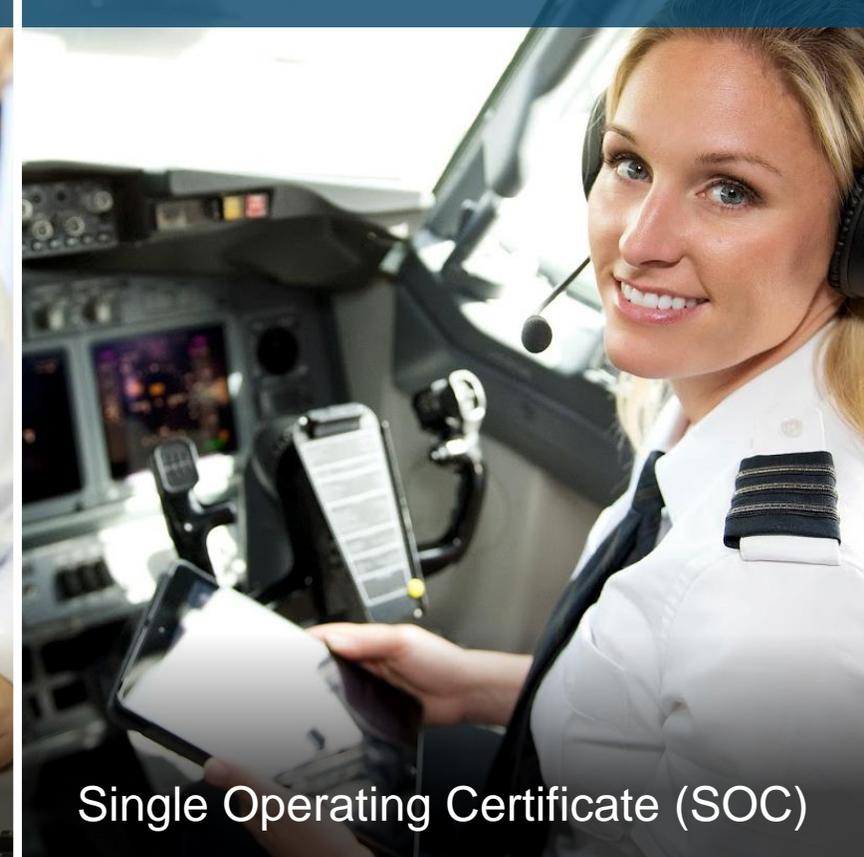
Single guest loyalty program

Operational



Single integrated call center

Enabling



Single Operating Certificate (SOC)

Goals are further broken out into 80 separate sub-projects

...and we are on-track to hit major milestones by the end of 2018



*Current timeline as of April 2017. Selected milestones only. Milestone timing subject to change.

We are confident with our ability to capture synergies



Alaska has a long track record of successful growth



2001



2016

This growth enabled Alaska to earn revenues that outpaced the industry and GDP growth



*2016 includes revenue from Virgin America starting 12/14/16
2017 estimate using consensus (not endorsed by Alaska Air Group)*

~8% Compounded Growth from 2009-2016

And we've moved quickly since the merger to grow further



Day 1



New Routes

Build a Deep, Emotional Connection with Our Brand

Our single brand appeals to “Leisure Enthusiasts” - a \$25B market segment

Leisure Enthusiasts Brand Fit

Both Alaska & Virgin among highest for brand fit





Modern, warm and welcoming vibe – with blue **mood lighting**, **music**, new uniforms and lounges

West Coast-inspired food and beverage, with **pre-order** and **pre-pay**

Reliable, high-speed **internet**, **free movies**, **free chat**

More **premium seats** and complimentary **upgrades**

Most generous benefits for loyalty

Defend and Grow Our Customer Base

Pacific Northwest success has shown us that loyalty is key



Population
11.9 Million

**Daily North American
Passengers**
71,700

**AS/VX Loyalty
Members**
3 Million

**AS/VX Nonstop
Markets**
189

AS/VX Relevance
69%

3x
PacNW
Population

California

2.5x
PacNW Daily
Passengers

Population
39.1 Million

**Daily North American
Passengers**
185,700

**AS/VX Loyalty
Members**
2 Million

**AS/VX Nonstop
Markets**
120

AS/VX Relevance
38%

*Relevance is defined as the percentage of O&D passengers that can fly nonstop on the Alaska/Virgin network

Defend and Grow Our Customer Base

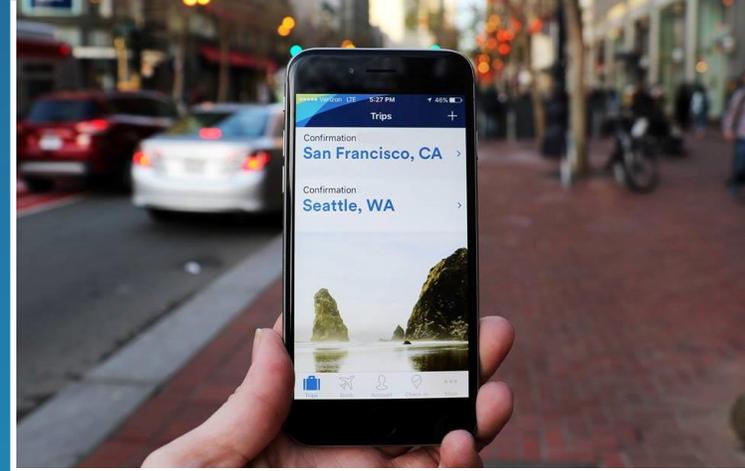
Our loyalty and credit card programs attract high value guests – and contributed over \$900 million in annual cash flow last year

Mileage Plan Members:

4X more revenue

65% more likely to book direct

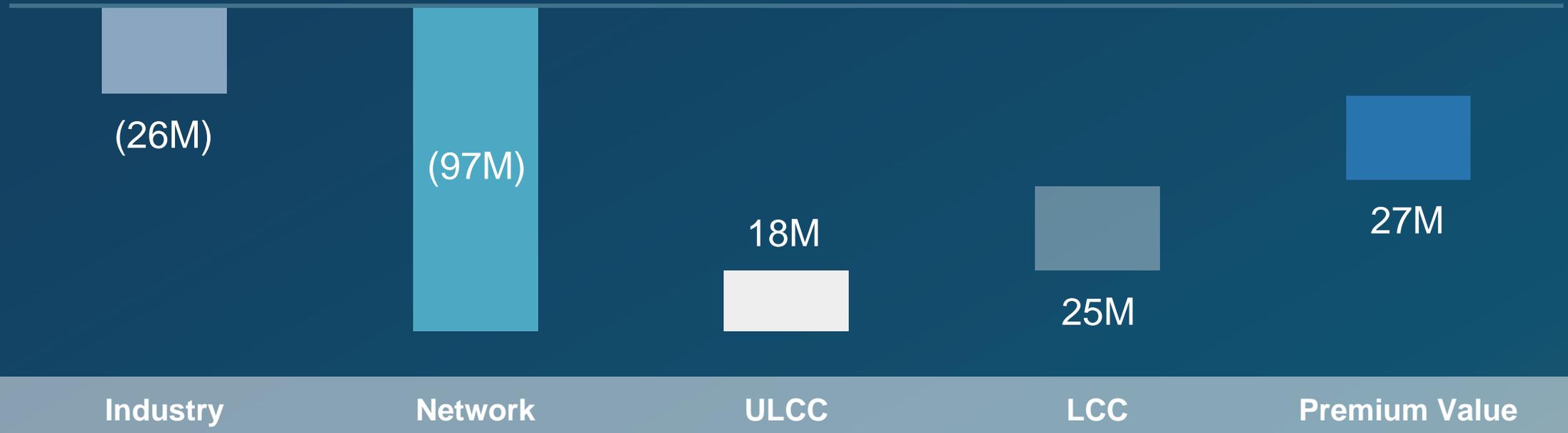
30% have a credit card



Win with Low Costs and Low Fares

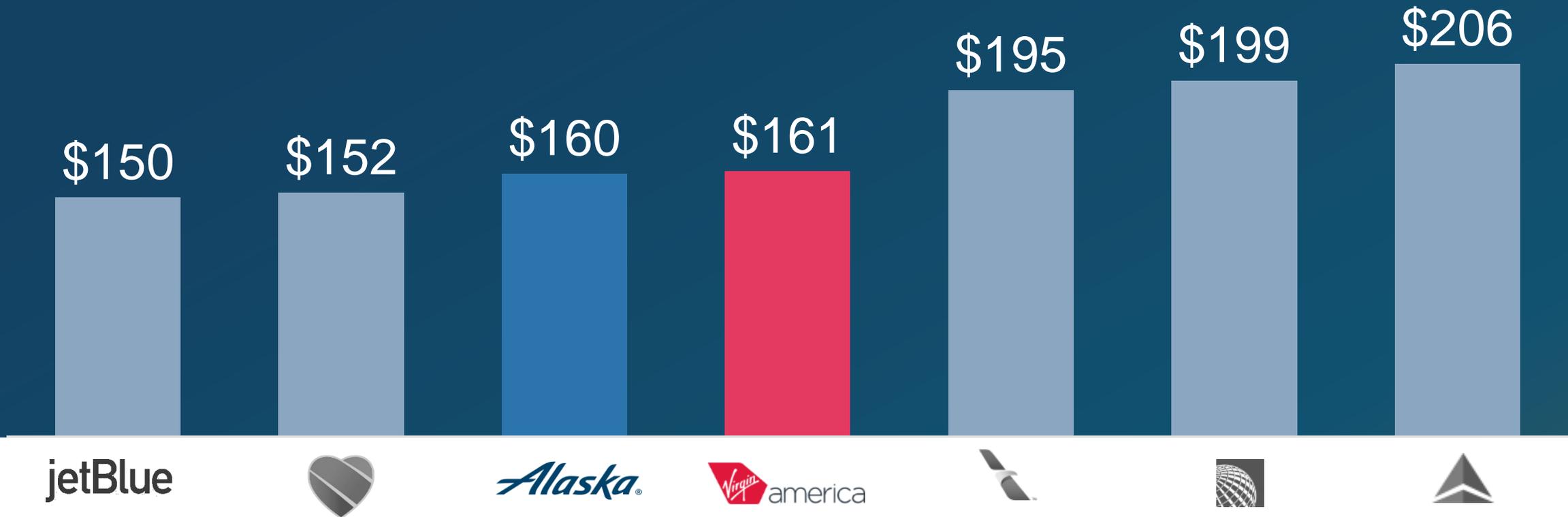
Guests want this premium product, but also want low fares

Net Change in Seats by Airline Segment 2000 to 2015



Win with Low Costs and Low Fares

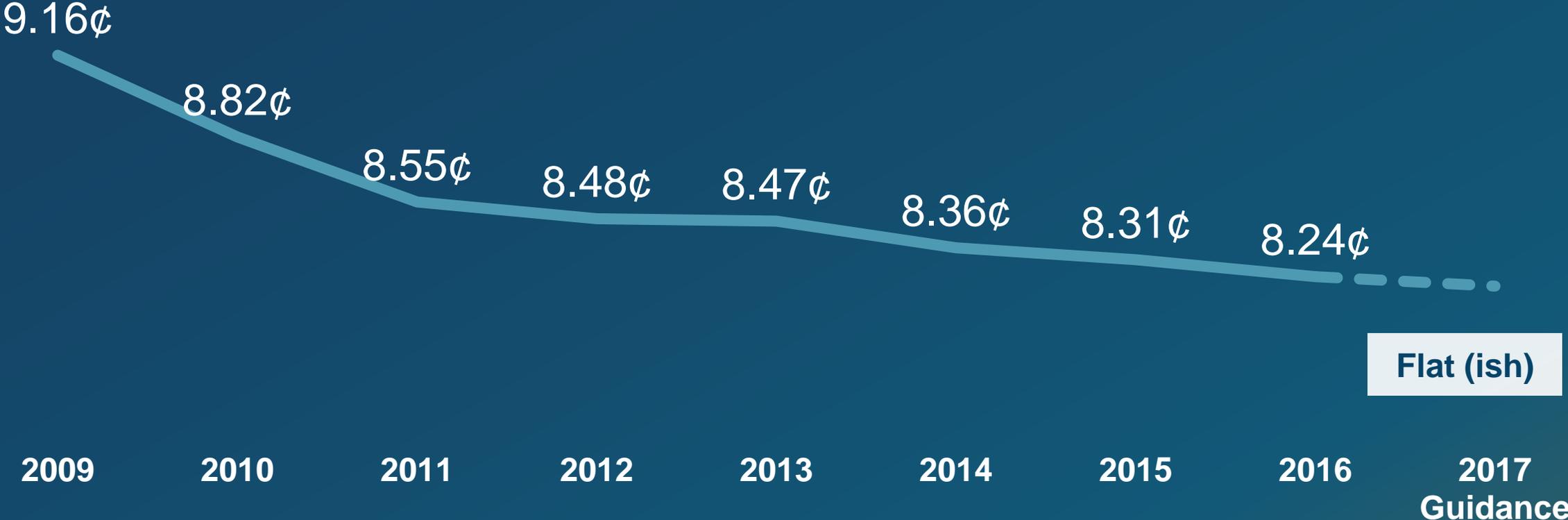
Alaska and Virgin offer fares that are ~20% lower than the legacy carriers, and in line with LCCs



Source: U.S. Department of Transportation, 12 months ended Q3 2016 North American Origin and Departures (stage-length adjusted to industry average stage length of 1,157)

Low fares are possible only because we have low costs

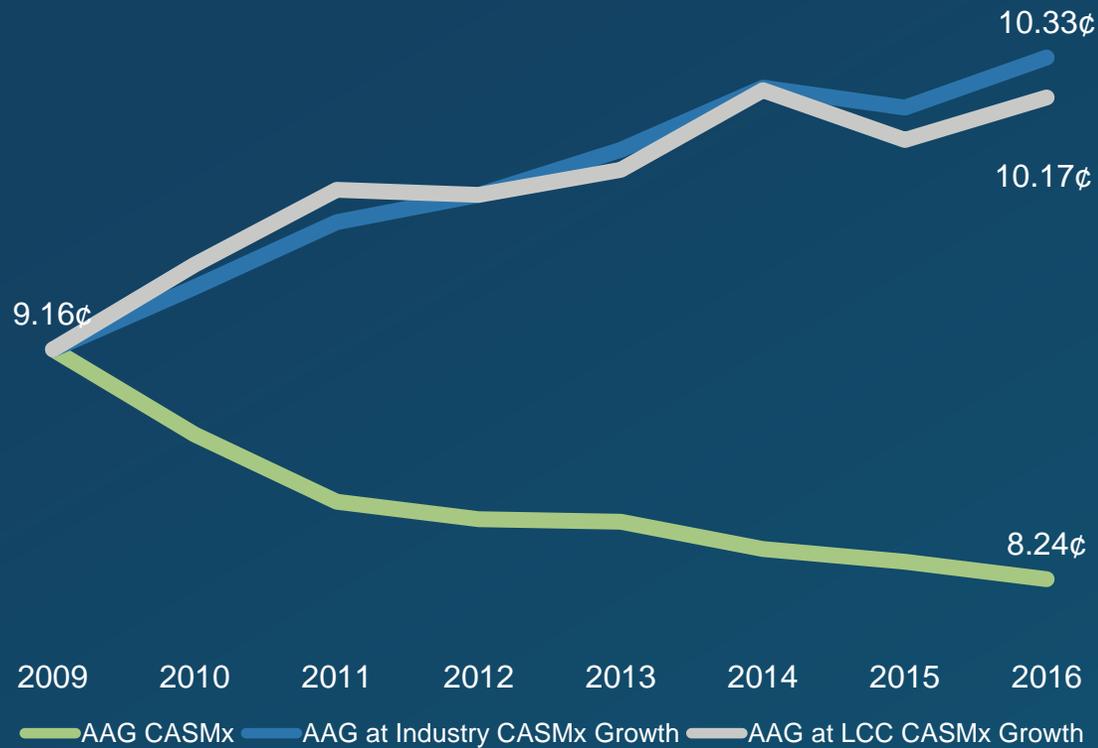
AAG CASM ex Fuel History



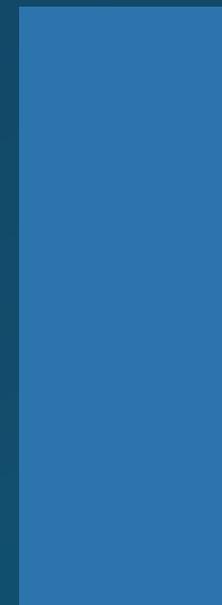
Win with Low Costs and Low Fares

Low costs are critical to our business model and reductions since 2009 have created a durable 'moat' of ~\$900M

ALK Pretax Profitability with varying cost structures



\$1,427M



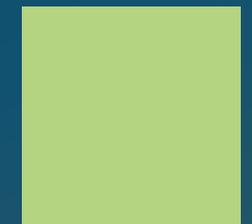
ALK 2016

\$591M



ALK w LCC cost trajectory

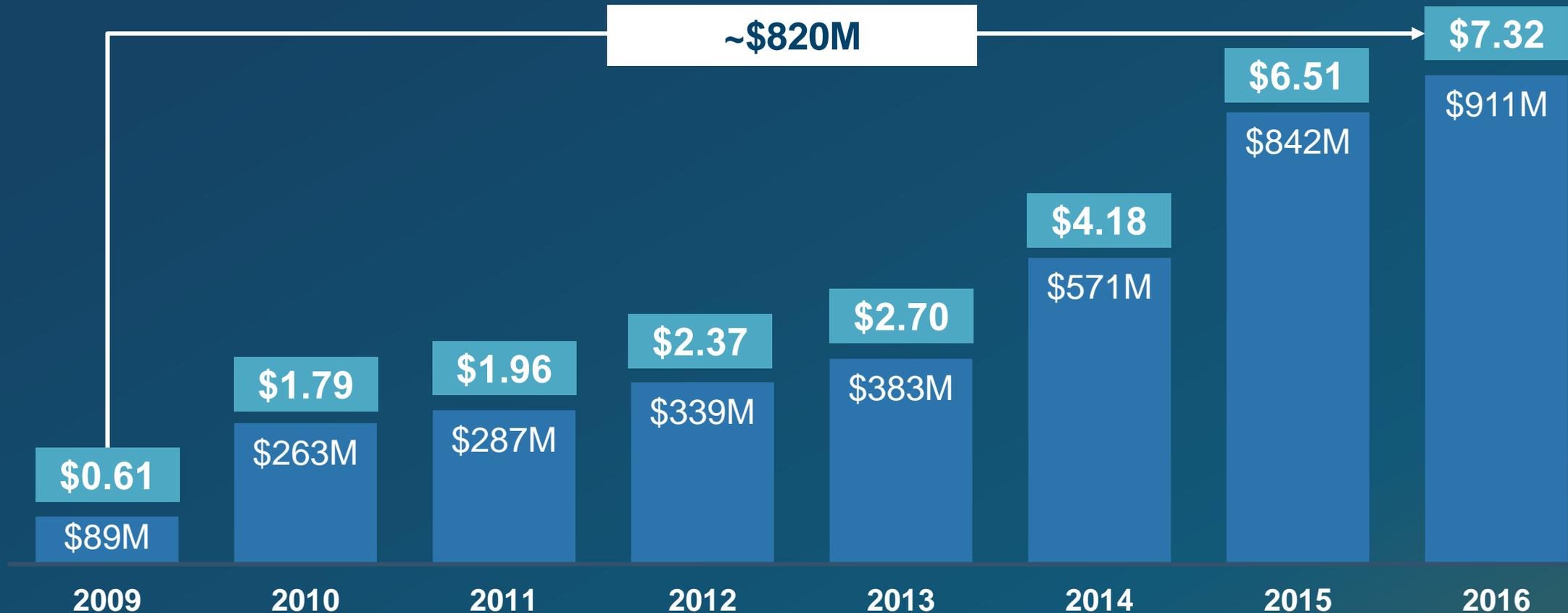
\$521M



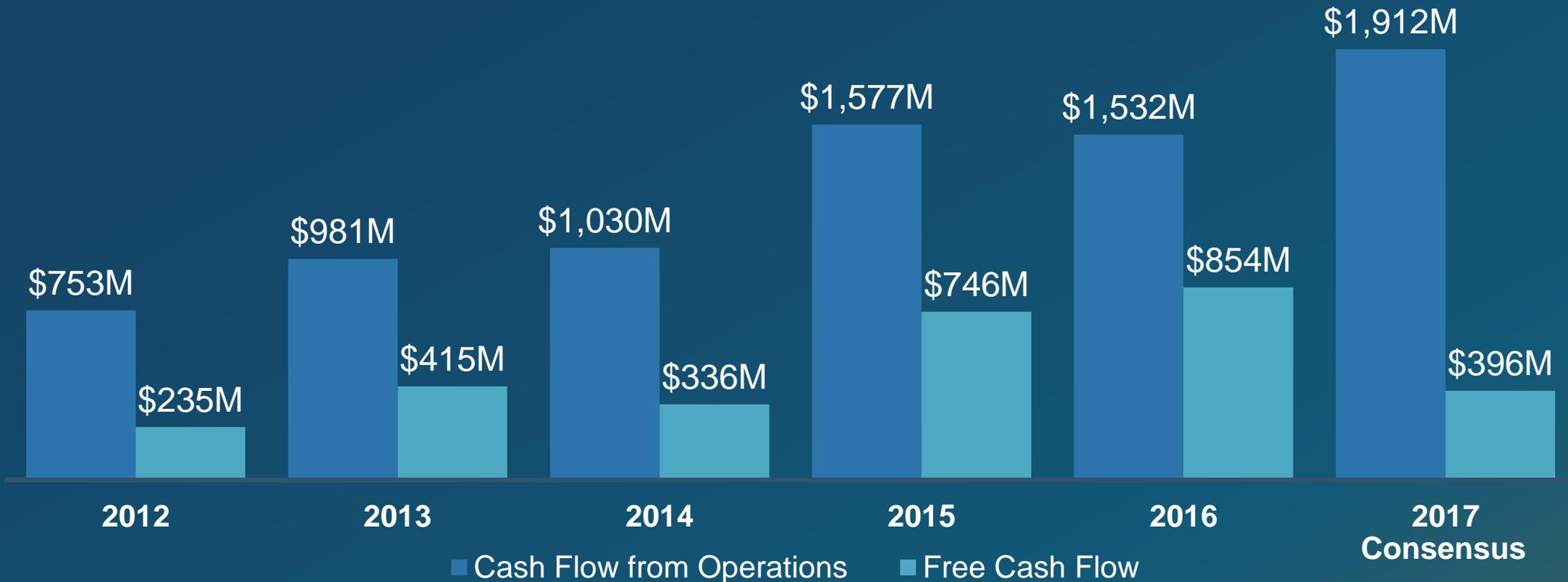
ALK w Industry cost trajectory

We have a history of consistent profitability...

Adjusted Net Income & EPS



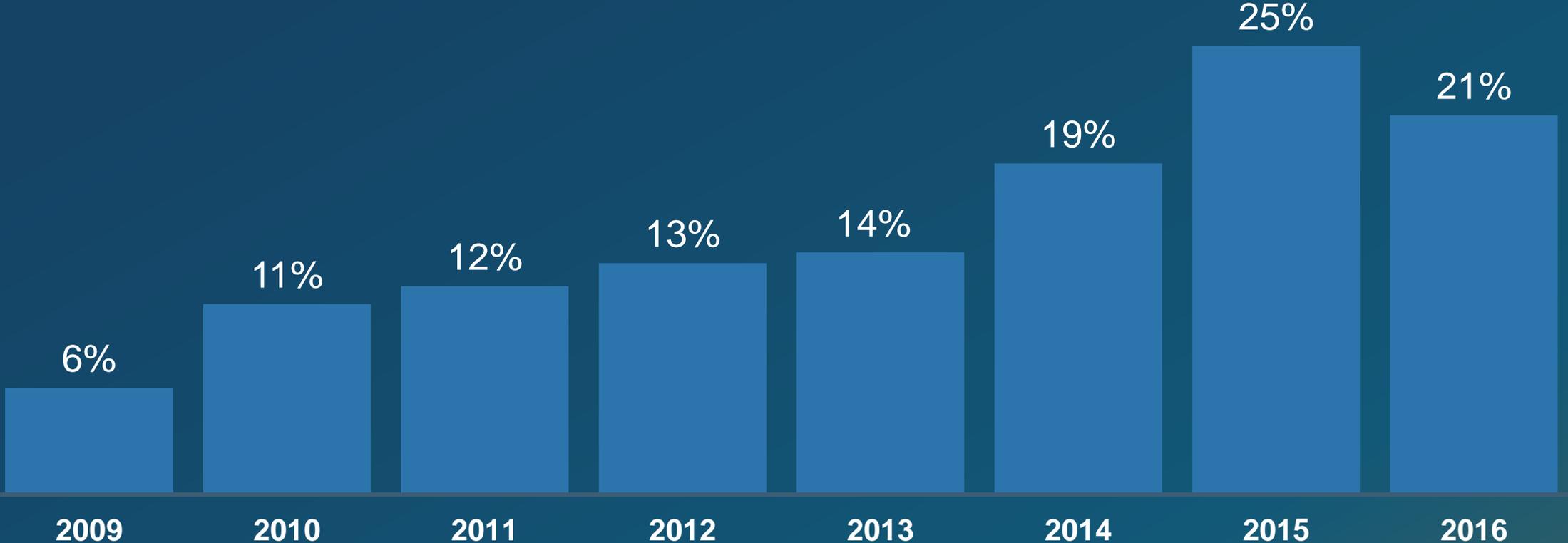
...and of generating strong operating and free cash flow



*Cash flows exclude merger related expenses
2017 estimate using consensus (not endorsed by Alaska Air Group)*

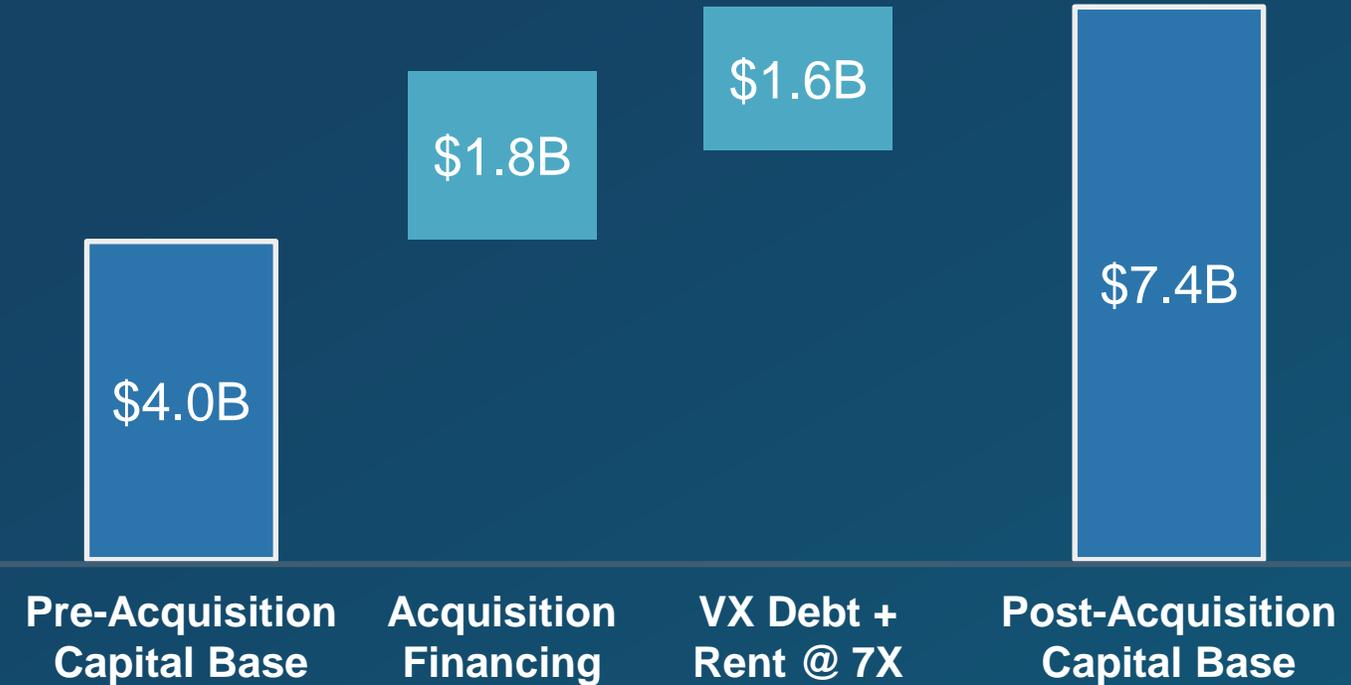
We have been leaders in managing to ROIC

Return on Invested Capital

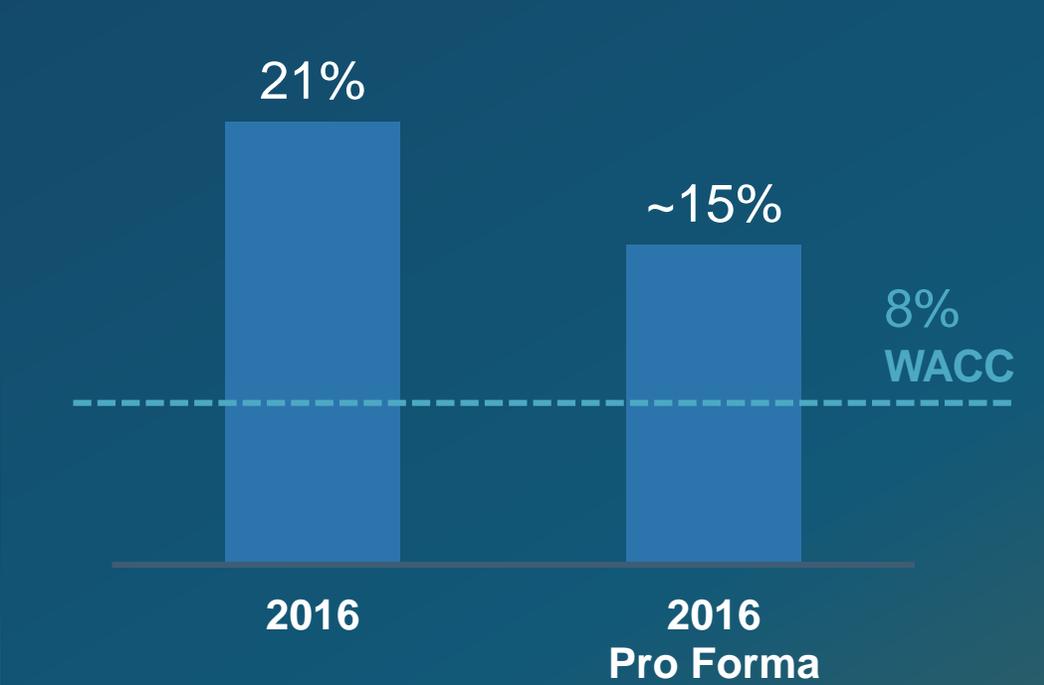


Even with a higher invested capital base, ROIC remains well above our cost of capital

Invested Capital Base (2016 Proforma)

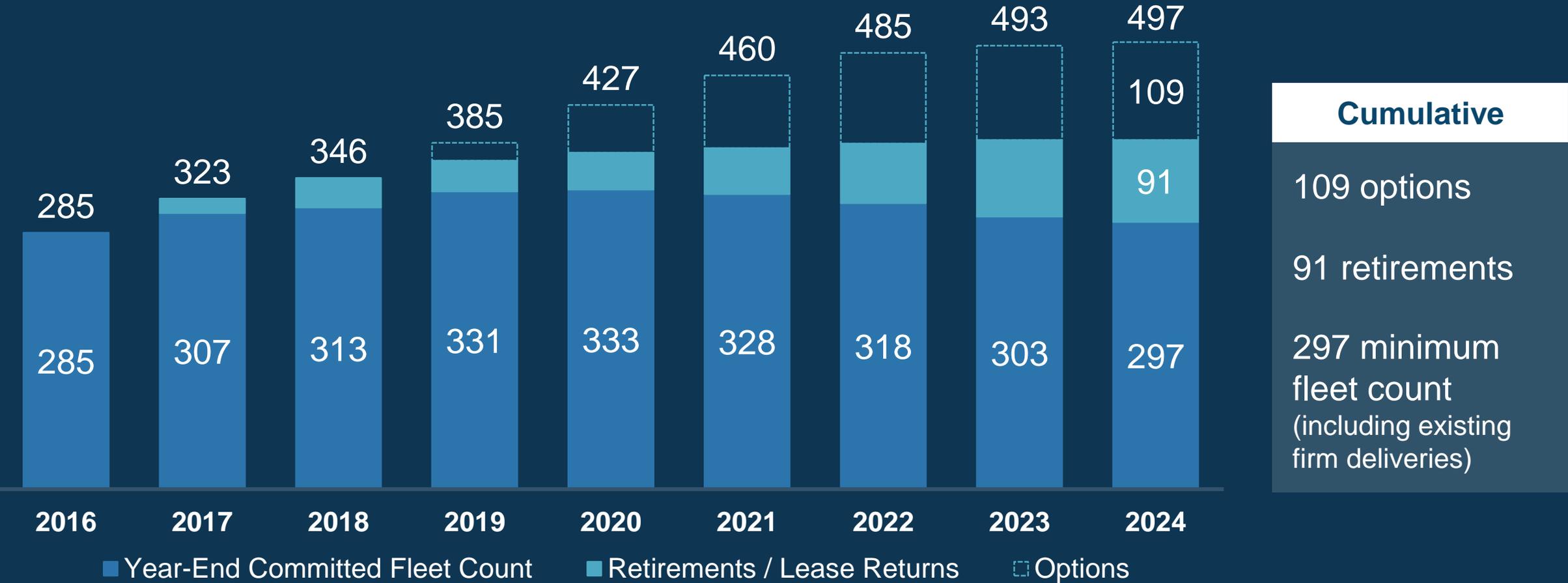


After-Tax Return on Invested Capital



We are committed to earning returns well above our cost of capital

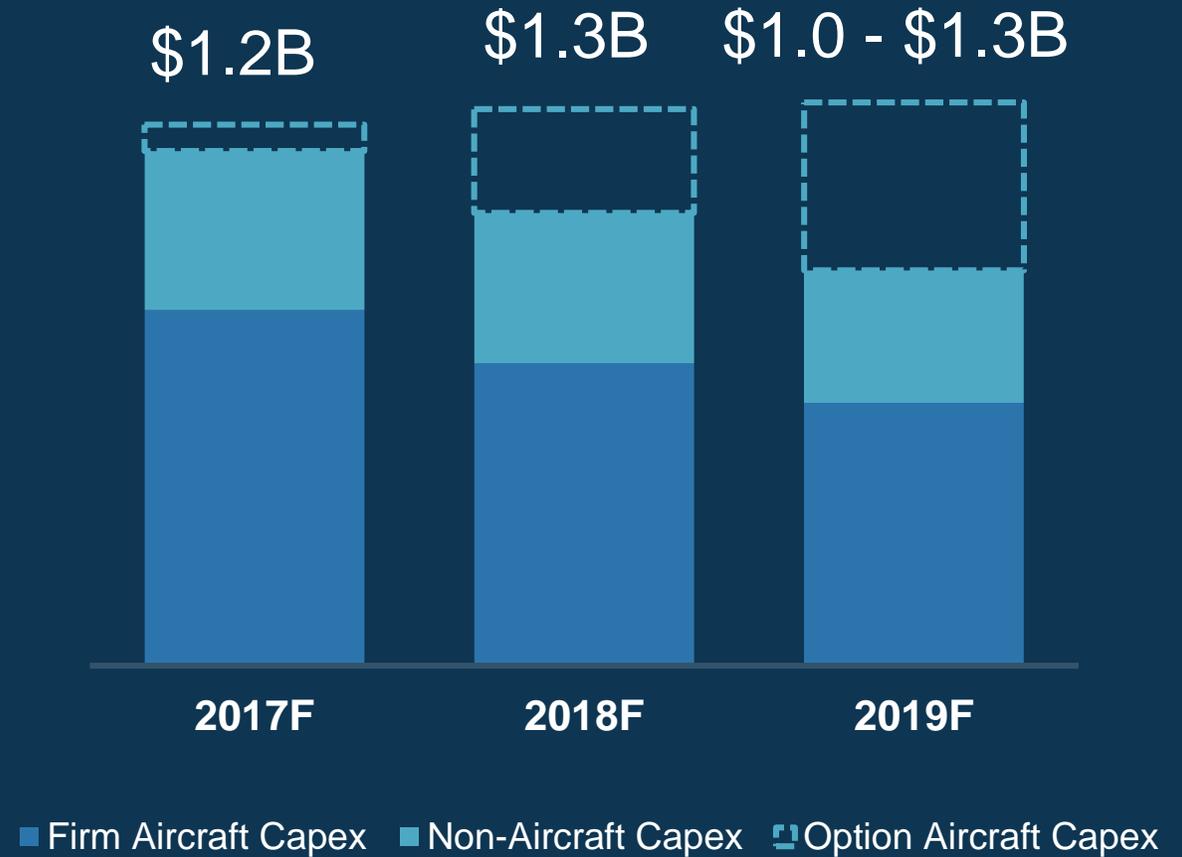
Fleet options support growth plans, but provide flexibility if conditions change



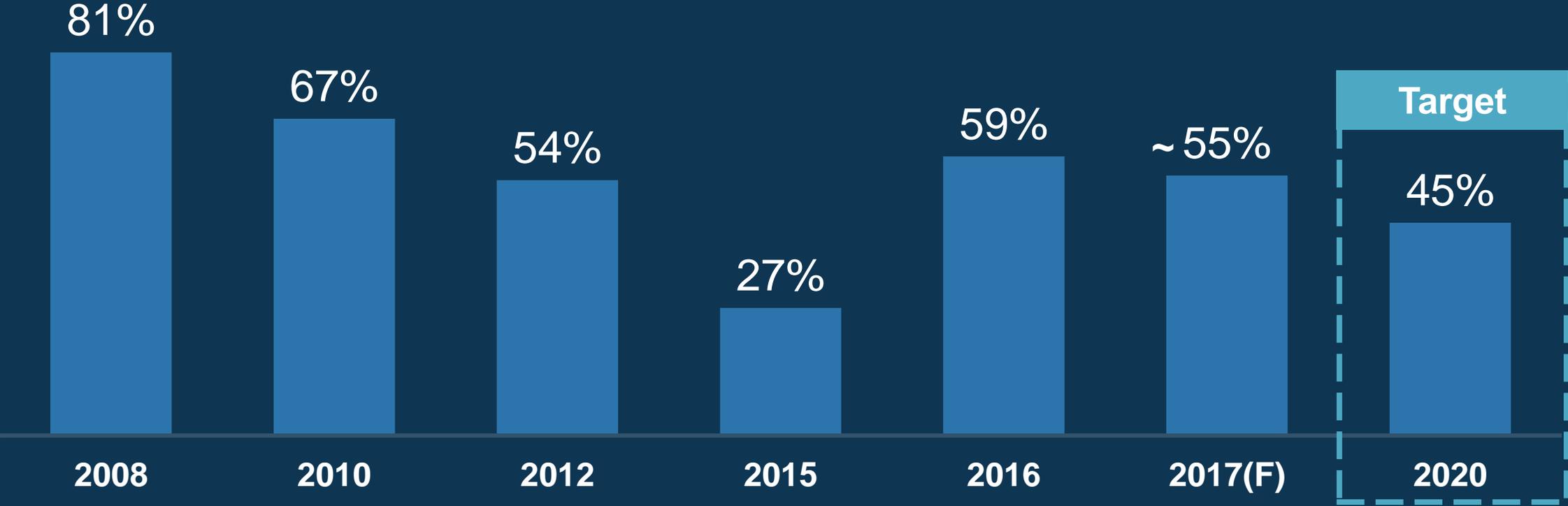


We are mindful of the need to wisely manage capital spending on new aircraft, aircraft modifications and other projects

Projected Capex



We intend to 're-de-leverage'...



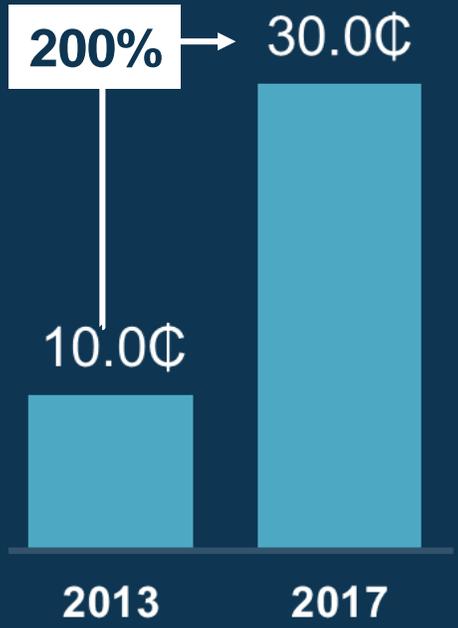
Half of S&P 500 Industrials have leverage above 45%

...and our commitment to growing the dividend displays our confidence in the business

Annual Dividend Spend



Increased dividend each year since inception



In millions, except per share values
Dividend initiated in August 2013; spend subject to Board approval
Share repurchase based on current expected case – subject to change

We plan to buyback \$50M in stock this year

We will continue our balanced approach to capital allocation, albeit the priorities will continue to shift as we get through the merger





Summary

We're **creating** an airline people **love**

Integration is **on track**

Our commercial strategy **positions us for expansion**

We're focused on **low costs** and **balanced capital allocation**

This is a **durable business** with room to **grow**