ALASKA AIR GROUP REPORTS RECORD ADJUSTED FOURTH QUARTER 2015 AND FULL-YEAR RESULTS AND RAISES DIVIDEND 38%

News / Finance

Financial Highlights:

Reported record fourth quarter net income, excluding special items, of $186 million, a 49% increase over the fourth quarter of 2014. Adjusted diluted earnings per share of $1.46 was a 55% increase over the fourth quarter of 2014. This quarter's results compare to a First Call analyst consensus estimate of $1.40 per share.

Reported record full-year net income, excluding special items, of $842 million, a 47% increase over 2014. Adjusted diluted earnings per share of $6.51 was a 56% increase compared to 2014.

Reported net income for the fourth quarter and full year under Generally Accepted Accounting Principles (GAAP) of $191 million, or $1.51 per diluted share, and $848 million, or $6.56 per diluted share, respectively. These results compare to net income of $148 million, or $1.11 per diluted share, and $605 million, or $4.42 per diluted share, respectively, in 2014.

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Announced a 38% increase in the quarterly dividend, from $0.20 per share to $0.275 per share in January 2016. This is the third time the company has raised the dividend since initiating the quarterly dividend in July 2013, with a cumulative increase of 175% since that time.

Paid $0.20 per-share quarterly cash dividend in the fourth quarter, bringing total dividend payments in 2015 to $102 million.

Repurchased 7,208,328 shares of common stock at an average price of $70 during 2015, for $505 million, or approximately 6% of market capitalization at the beginning of 2015. Since 2007, Air Group has used $1.3 billion to repurchase 56 million shares at an average price of $23.66, representing about 35% of the Company's outstanding shares on Dec. 31, 2006.

Generated nearly $1.6 billion of operating cash flow and $760 million of free cash flow in 2015. Since the beginning of 2010, Air Group has generated $5.6 billion of operating cash flow and $2.6 billion of free cash flow.

Grew passenger revenues by 6% compared to the fourth quarter of 2014 and by 5% compared to full-year 2014.

Reached a new long-term agreement with Bank of America for the Alaska Airlines Visa credit card. The new agreement adds customer benefits, such as no foreign transaction fees, and is expected to generate an incremental $60 million of revenue in 2016.

Generated record full-year adjusted pretax margin of 24% in 2015, compared to 17.2% in 2014.

Achieved return on invested capital of 25.2% in 2015, compared to 18.6% in 2014.

Lowered adjusted debt-to-total capitalization ratio to 27% as of Dec. 31, 2015. Air Group currently has no net debt.

Lowered consolidated unit costs excluding fuel and special items for the sixth consecutive year, to the lowest level ever. Mainline unit costs excluding fuel have declined 13 of the last 14 years.

Held $1.3 billion in unrestricted cash and marketable securities as of Dec. 31, 2015.

2015 Accomplishments and Highlights:

Recognition and Awards

Ranked the best airline in the U.S. by The Wall Street Journal's "Middle Seat" scorecard for three consecutive years.

Ranked "Highest in Customer Satisfaction Among Traditional Network Carriers" by J.D. Power and Associates for the eighth year in a row.

Ranked highest by frequent fliers in the J.D. Power Airline Loyalty/Rewards Program Satisfaction Report for the second year in a row.

Rated the #1 Airline Rewards Program by U.S. News and World Report.

Named "Airline Market Leader" by Air Transport World, becoming the only U.S. airline honored by the magazine in its 2016 Industry Achievement Awards.

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Named No. 1 on-time carrier in North America for the sixth year in a row by FlightStats in January 2016.

Named Top Performing Airline among mid-sized carriers worldwide by Aviation Week magazine.

Ranked as the most fuel-efficient airline for U.S. airlines by the International Council on Clean Transportation for the fifth year in a row.

Awarded Fast Travel Platinum status from the International Air Transport Association, which is awarded to airlines offering four or more Fast Travel options to at least 80% of their passengers.

Ranked as a top 100 of America's Best Employers by Forbes Magazine.

Ranked first in the Leadership 500 Excellence Awards, recognizing the success of Alaska's Gear Up leadership training.

Our People

Awarded a record $120 million in incentive pay to employees for 2015, or more than one month's pay for most employees. Over the last five years, employees have earned more than $500 million in incentive pay, averaging 8.6% of annual pay.

Reached tentative agreements with Horizon's pilots and flight attendants on new contracts that will position Horizon for growth.

Signed a four-year agreement with Alaska's dispatchers in December 2015.

Completed "Gear Up 2" for over 1,200 leaders at Alaska and Horizon – a continuation of our award-winning leadership training workshop.

Delivered our "Beyond Service" customer service training to nearly 9,000 customer-facing employees.

Received a perfect score of 100% for workplace equality on the 2016 Corporate Equality Index (CEI).

Our Customers and Product

Launched Preferred Plus Seating, providing customers the ability to select bulkhead and exit-row seating 24 hours in advance of the flight. Preferred Plus Seating also includes priority boarding and complimentary beer, wine or cocktail.

Announced plans to introduce Premium Class seating in 2016, which will provide customers greater leg room, early boarding, and premium on-board amenities, among other things.

Became the launch customer of Boeing's new, innovative, high-capacity 737 Space Bins, which will increase bag capacity in the cabin by 50%.

Added a free first checked bag as a permanent feature of the Alaska Airlines Visa Signature affinity credit card.

Added 11 Boeing 737-900ERs and one Bombardier Q400 aircraft to the operating fleet in 2015

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Added five Embraer 175 (E175) regional jets, and announced plans to grow the number of E175s to 23 by the end of 2017, including E175s that will replace the eight CRJ700 regional jets operating in our network.

Added 20 new markets and 10 new cities to our growing network in 2015.

Increased fuel efficiency (as measured by seat-miles per gallon) by 2.2% over 2014.

Our Communities

Donated nearly $12 million to support local communities, including job training for workers at the Seattle-Tacoma airport, STEM-focused education at Seattle's Museum of Flight, the Alaska Native Science and Engineering Program, and Seattle's bicycle sharing program.

Announced a 10-year sponsorship agreement with the University of Washington which includes, among other things, exclusive naming rights for Alaska Airlines Field at Husky Stadium and Alaska Airlines Arena.

SEATTLE — Alaska Air Group, Inc. (NYSE: ALK) today reported fourth quarter 2015 GAAP net income of $191 million, or $1.51 per diluted share, compared to GAAP net income of $148 million, or $1.11 per diluted share in 2014. Excluding mark-to-market fuel hedge losses of $1 million ($1 million after tax, or $0.01 per diluted share), a non-cash pension settlement charge and a litigation-related matter of $32 million in aggregate ($20 million after tax, or $0.16 per diluted share), and a tax benefit of $26 million related to amended multiple-year state tax returns, the company recorded fourth quarter 2015 net income of $186 million, or $1.46 per diluted share. This result compares to net income, excluding mark-to-market fuel hedge gains and special items, of $125 million, or $0.94 per diluted share, in 2014.

The company reported full-year 2015 GAAP net income of $848 million, compared to $605 million in the prior year. Excluding the impact of the items noted in the table below, the company reported record net income of $842 million, or $6.51 per diluted share for 2015, compared to net income of $571 million, or $4.18 per diluted share in 2014.

"These record results reflect our strong performance in the areas that drive long-term value for our business," said CEO Brad Tilden. "We're operating safely and on time, our customer satisfaction ratings remain strong, our customer base is growing at a record pace, and our costs and fares are coming down – all a result of the hard work and dedication of our employees."

"With today's announcement, our dividend has increased by 175% since we initiated it two and one-half years ago. This increase underscores our confidence in our business and our commitment to return capital to shareholders."

22 JANUARY 2016

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