



Embracing our Future

IT'S ABOUT MAKING A CHOICE

Objectives

The purpose of this deck is to provide a framework for the choices we are facing as we look toward the future of our company

- We will discuss choices as they relate to brand, culture and brand culture.
- We will explore the fundamental choices (tierlink/shah) that we as a company currently face.
- We will outline what it is we do, who we are, and what we have heard.
- We are going to look at some individual case studies where we have implemented solutions gleaned from this process.
- In conclusion you will be invited to become a part of the process in defining and implementing some of those choices.







ground 2 a drink made of chocolate, hot milk or water, and sugar
 3 a candy made of or coated with chocolate 4 reddish brown — *adj.*
 1 made of or flavored with chocolate 2 reddish-brown — *adj.*
chocolate chip cookie a type of cookie containing bits of solid
 chocolate and, often, nuts
cho-co-la-tier (chô'kə lə tir') *n.* a maker or seller of chocolate
 candies, esp. fancy or expensive ones
Choc-taw (chäk'tô') *n.* [Choctaw *chahta*, a self-designation] 1 *pl.*
 -taws' or -taw' a member of a North American Indian people who
 lived in S Mississippi, Alabama, Georgia, and Louisiana and now
 live in Oklahoma and Mississippi 2 the Muskogean language spo-
 ken by this people
choice (chois) *n.* [ME & OFr *chois* < *choisir*, to choose < Goth
hweisjan, to taste, test; see CHOOSE] 1 the act of choosing; selection
 2 the right, power, or chance to choose; option 3 a person or thing
 4 the best or most preferable part 5 a variety from which
 to choose 6 a supply that is well chosen 7 an alternative — *adj.*
choic'est 1 of special excellence; select; superior 2 care-
 fully selected or of a grade of government-classified
 goods — **of choice** that is or are preferred
 — **choice'ly** *adv.* — **choice'**
 right, or power to choose, usually by the
 bachelor by *choice*]; **option** suggests the
 a person or group in authority that
 on liquor sales]; **alternative**, in
 two possibilities [the *alternative* of
preference suggests the determination
 preference for striped tigers
 of careful disc





Embracing our Future | 5
We all made Alaska Airlines our Choice



charismatic



family

responsive



Alaska Airlines



generous



heritage











heritage

"the wings of the great northwest;
it's something no one else can
lay claim to."

—manager

responsive

"i think of lifeline and freedom when
i hear the words alaska airlines."

—customer

charismatic

"we celebrate well." —manager

generous

we've got a history of doing the right
thing long before it was in vogue.

—executive

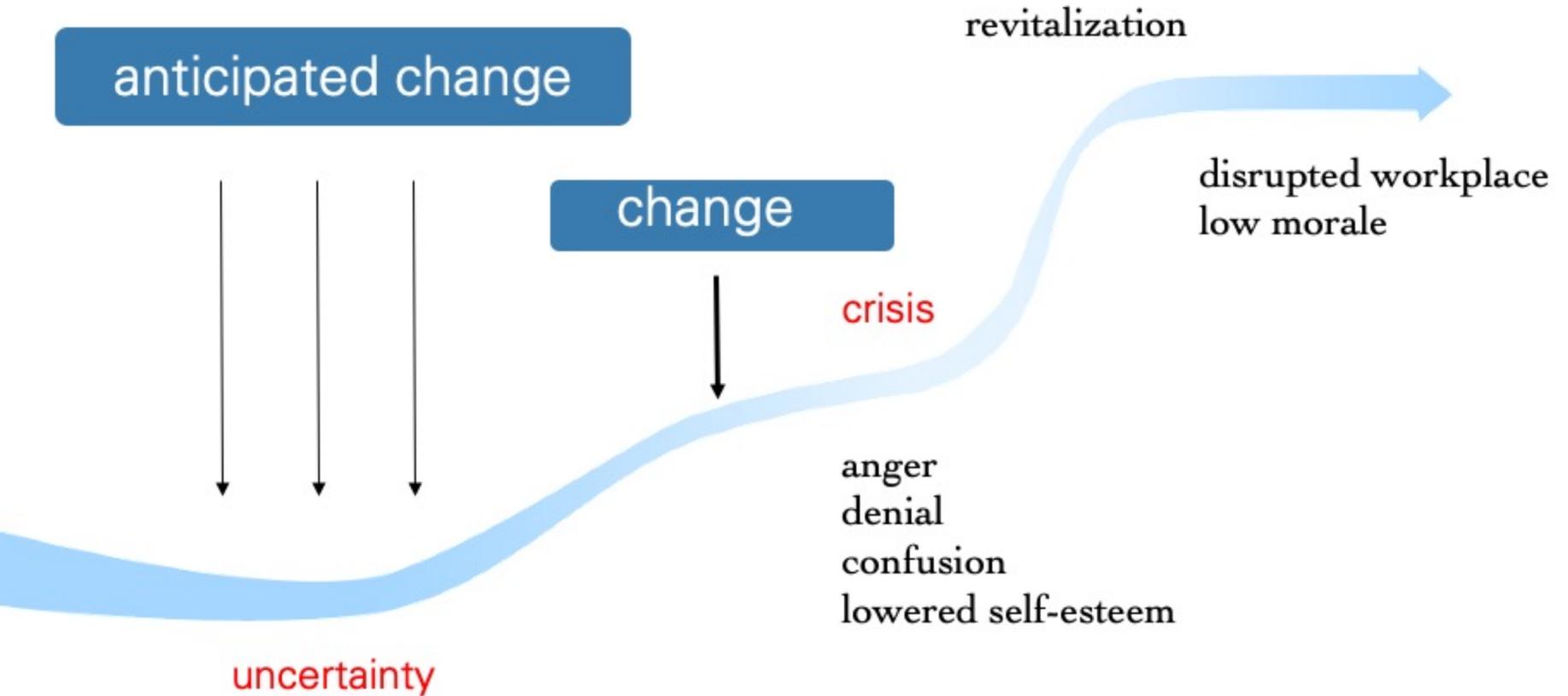
family

"we're a family, and we have to take care of one
another. and if we take care of each other,
we'll take care of the customer just fine."

—manager



Implementing Change



‘Vision of the ideal future’

More than a Motorcycle, Teerlink and Ozley

where we
are today

strategic thrust for change

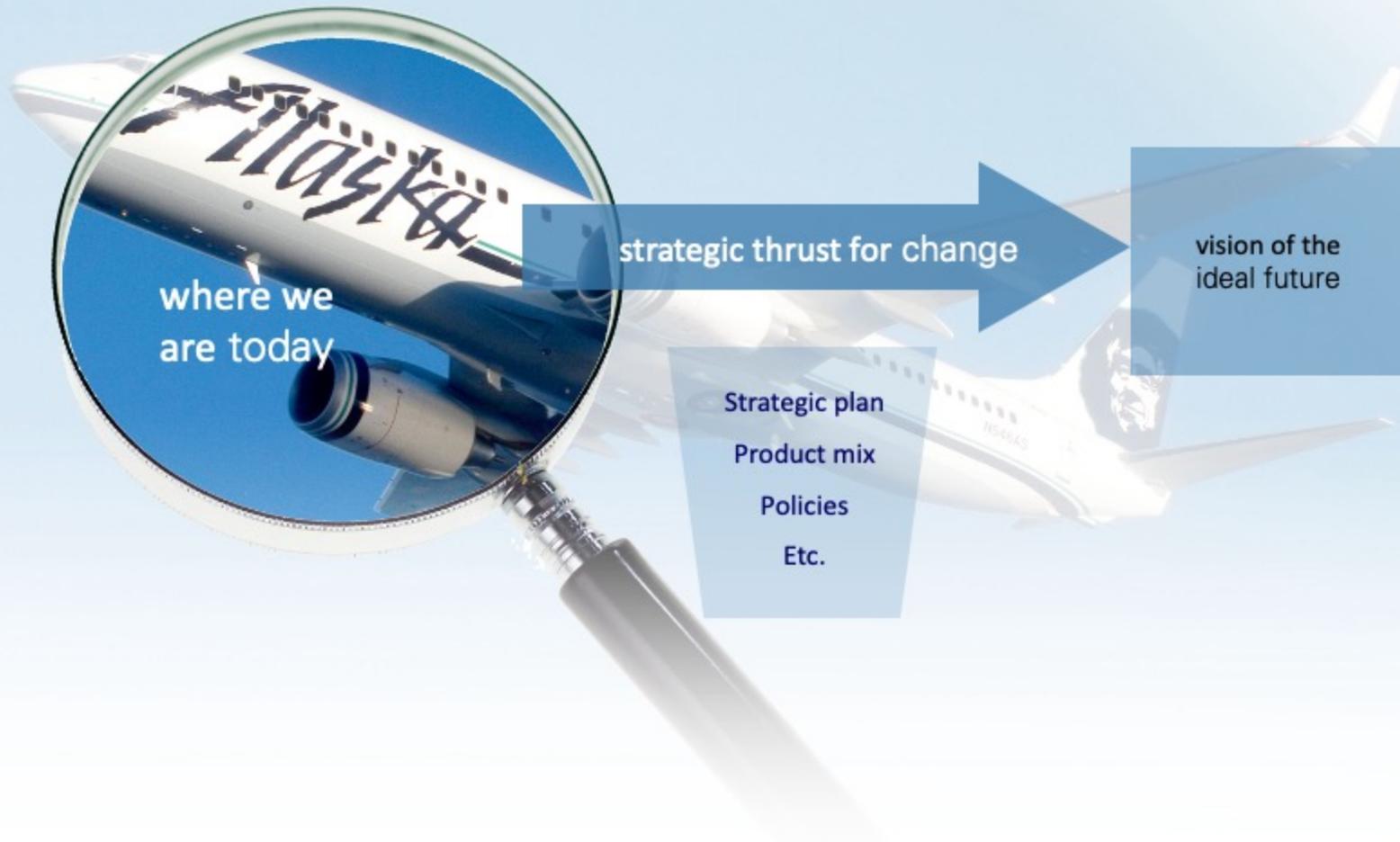
vision of the
ideal future

Strategic plan
Product mix
Policies
Etc.



‘Vision of the ideal future’

More than a Motorcycle, Teerlink and Ozley



Questions included...

- Who we are
- What we do
- Why we're special
- Why it matters



We are still our values and more



responsive



heritage

charismatic



Alaska Airlines

generous



family



Compassionate
Family
Strong
Generous
Loyal
Familiar
Innovative
Quirky, irreverent
Charismatic
Responsive
Smart
Sophisticated
Friendly
Welcoming
Real, down to earth

Confused
Change adverse
Schizophrenic
Fragmented, detached
Layered, disconnected
Struggling to be proud
Indecisive
Stubborn
Reactive
Inefficient
Less friendly, less helpful
Unreliable
Changing, in flux
Informally formal
Mass, volume



What we do

- 4 to 8 airlines
- a partner in alaska air group
- in the hospitality business
- a partner with other brands
- a retailer (food, liquor, entertainment, kennels)
- a concierge & business center (boardroom)
- a cargo company

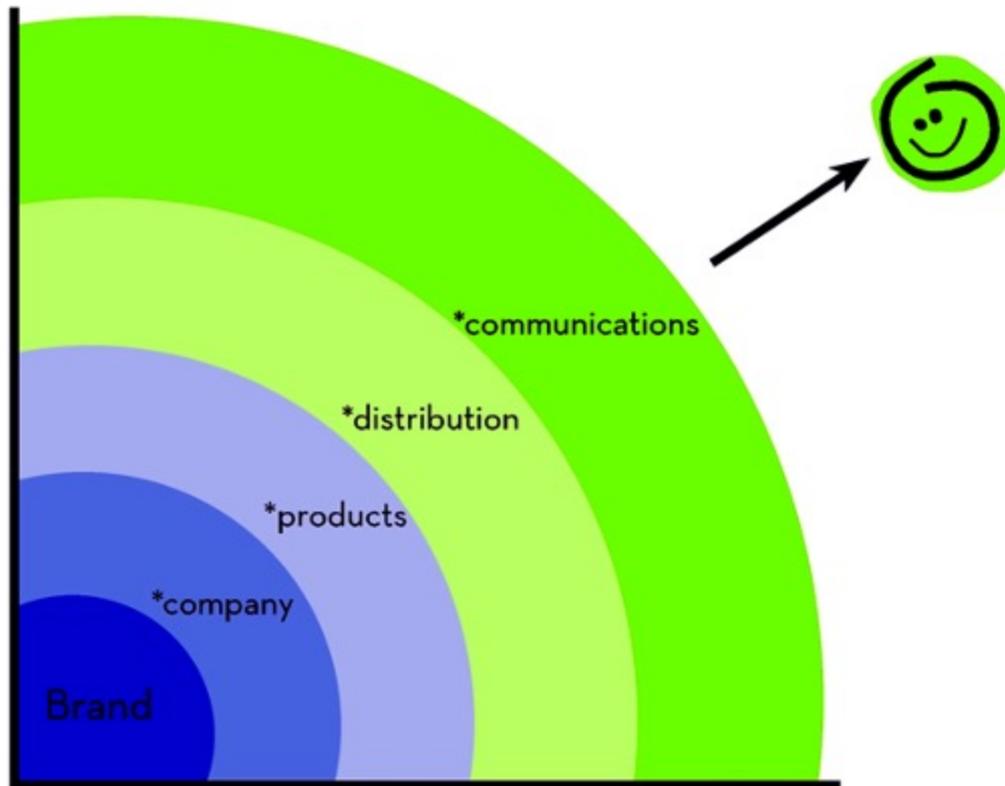


Why we're Special

- our people
- our heritage
- our mileage plan
- our customers



Why does it matter?



“what could kill us (Alaska Airlines) is if we get there (2010) and the employees aren't with us.”

— exec

“the airline will survive but the soul will be gone...”

—f/a

“success was about heart a conscientious decisions to communicate to the heart. Our product doesn't do anything different yet people feel different about it”

— ken schmidt

Former vp communications

Harley Davidson





'Vision of the ideal future'

More than a Motorcycle, Teerlink and Ozley



Alaska Airlines Today



Strategic Company Decisions

CASM/Coast

Networks:	West Coast Strength Limited Transcon Mexico Leisure
Fleet:	737, MD-80s
Distribution:	Web, GDS, Agents
Engaged Employees:	moderate

Strategic Product Decisions

Classes of Service:	First Class Cabin
Mileage Plan:	Industry Leading
Meals:	Free on Long Haul Seacks on Short Haul BOB in Mexico Free Beverages
Airport Experiences:	Mixed "new" and "old"

Tactical Marketing Decisions

Inflight Entertainment:	DigEPlayer on Long Haul
Board Rooms	
Vacations	
Seats:	Leather, 31" to 33"
Advanced Seat Selection	
Advertising:	low % of revenue

CASM

Operational Excellence

Revenue

Baseline
Upside
RISK:
Total
RASM
MASM

Customer Segments Impact

			Profitability (1-5)	%
Royal Thrifties	Hi	2	23%	
Quality Seekers	Mod	4	15%	
Self Sufficient	Hi	5	24%	
Price Seekers	Low	2	10%	
Sky High Numb	Mod	2	12%	
Just the Basics	Mod	3	7%	
Traditionalists	Hi	3	9%	

Brand Impact

Easy Flying, Caring Service	Hi
Straightforward	Mod
Real	Hi
Proud	Mod
Witty	Mod
Kindred	Mod
Principled	Mod
User Friendly	Mod
Engaging Experience	Hi
Alaska Spirit	Hi
Purposeful Innovation	Mod

Alaska "2010"



Strategic Company Decisions

CASM/Coast

Network:	West Coast Strength Higher Frequency Transcon Mexico Strength Hawaii/Central America
Fleet:	737
Distribution:	AS.com primary
Engaged Employees:	high

Strategic Product Decisions

Classes of Service:	First Class Cabin
Mileage Plan:	Industry Leading
Meals:	Free on Long Haul Nothing on Short Haul Free Beverages
Airport Experience:	Leading edge

Tactical Marketing Decisions

Inflight Entertainment:	WiFi Broadband
Board Rooms	
Vacations	
Seats:	Leather, 31" to 33"
Advanced Seat Selection	
Advertising:	mod % of revenue

CASM

Operational Excellence

Revenue

Baseline
Upside
RISK:
Total
RASM
MASM

Customer Segments Impact

			Profitability (1-5)	%
Royal Thrifties	Hi	2	23%	
Quality Seekers	Hi	4	15%	
Self Sufficient	Hi	5	24%	
Price Seekers	Low	2	10%	
Sky High Numb	Mod	2	12%	
Just the Basics	Mod	3	7%	
Traditionalists	Mod	3	9%	

Brand Impact

Easy Flying, Caring Service	Hi
Straightforward	Hi
Real	Hi
Proud	Hi
Witty	Mod
Kindred	Mod
Principled	Mod
User Friendly	Hi
Engaging Experience	Hi
Alaska Spirit	Hi
Purposeful Innovation	Hi



Alaska: LCC



Strategic Company Decisions

CASM/Cost

Networks:	West Coast Strength Less Non-Stop Transcon Mexico Leisure
Fleet:	737
Distribution:	AS.com primary
Engaged Employees:	high

Strategic Product Decisions

Classes of Service:	All Coach
Mileage Plan:	Fly 4, Get 1
Meals:	None
Airport Experience:	Consistent/Standard

Tactical Marketing Decisions

Inflight Entertainment:	None
Board Rooms:	None
Vacations:	
Seats:	Leather, 33"
No Seat Selection:	
Advertising:	High % of revenue

CASM

Operational Excellence

Revenue

Baseline
Upside
RISK:
Total
RASM
MASM

Customer Segments Impact

		Profitability (1-5)	%
Royal Thrifties	Low	2	25
Quality Seekers	Low	4	15
Self Sufficient	Mod	5	24
Price Seekers	Hi	2	10
Sky High Numb	Hi	2	12
Just the Basics	Mod	5	7
Traditionalists	Low	5	9

Brand Impact

Easy Flying, Caring Service	Low
Straightforward	Mod
Real	Mod
Proud	Low
Witty	Mod
Kindred	Mod
Principled	Low
User Friendly	Low
Engaging Experience	Low
Alaska Spirit	Low
Purposeful Innovation	Mod

Alaska: Song Clone



Strategic Company Decisions

CASM/Cost

Network:	West Coast Strength Higher Frequency Transcon Mexico Strength Hawaii/Central America
Fleet:	737
Distribution:	AS.com primary
Engaged Employees:	high

Strategic Product Decisions

Classes of Service:	All Coach
Mileage Plan:	Lite
Meals:	BOB Everywhere Free Beverages
Airport Experience:	Leading edge

Tactical Marketing Decisions

Inflight Entertainment:	Seat Back IFE WiFi Broadband
Board Rooms:	
Vacations:	Lite
Seats:	Leather, 31" to 33"
Advanced Seat Selection:	
Advertising:	high % of revenue

CASM

Operational Excellence

Revenue

Baseline
Upside
RISK:
Total
RASM
MASM

Customer Segments Impact

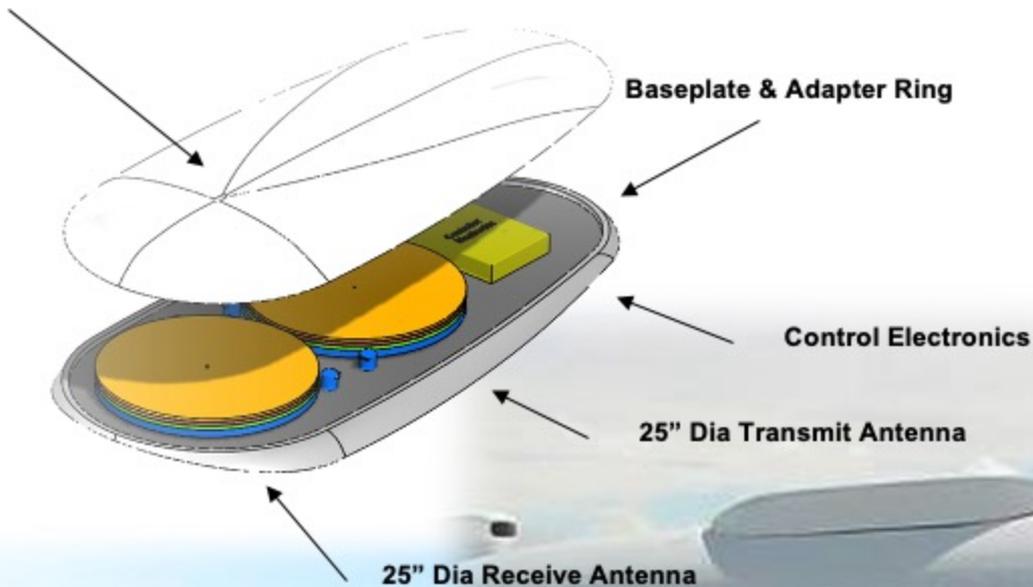
		Profitability (1-5)	%
Royal Thrifties	Mod	2	25
Quality Seekers	Mod	4	15
Self Sufficient	Mod	5	24
Price Seekers	Mod	2	10
Sky High Numb	Mod	2	12
Just the Basics	Mod	5	7
Traditionalists	Low	3	9

Brand Impact

Easy Flying, Caring Service	Mod
Straightforward	Hi
Real	Hi
Proud	Mod
Witty	Mod
Kindred	Mod
Principled	Mod
User Friendly	Hi
Engaging Experience	Mod
Alaska Spirit	Hi
Purposeful Innovation	Mod

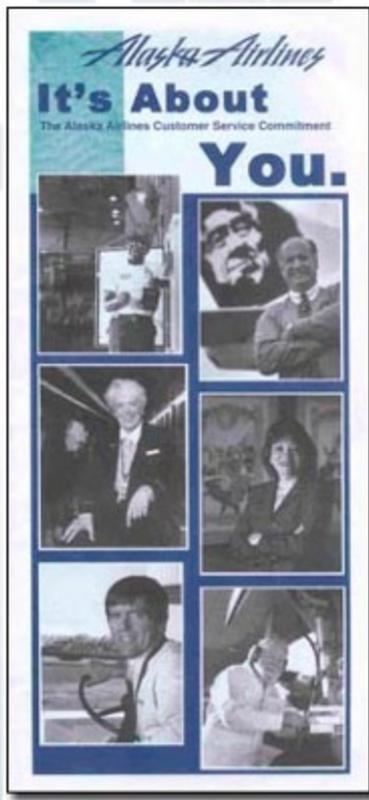


Radome



Embracing our Future | 26
Row 44 brings new innovations





Customer Service Commitment Brochure



Snack voucher



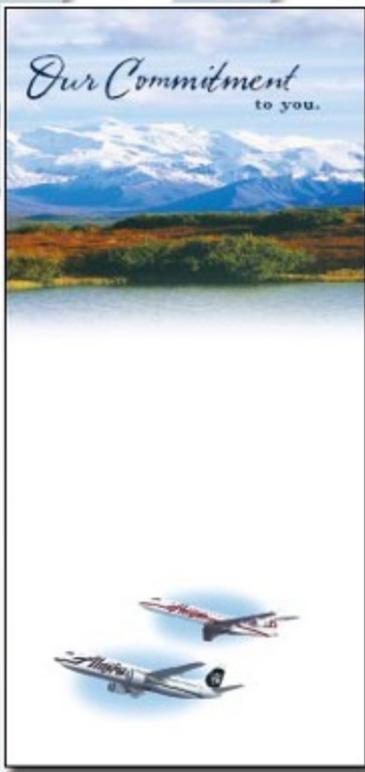
Phone card



Apology certificate

(all components included in kit - not able to issue separately)





Customer Service Commitment Brochure

Snack voucher



Phone card



Apology certificate





Women in Aviation
INTERNATIONAL

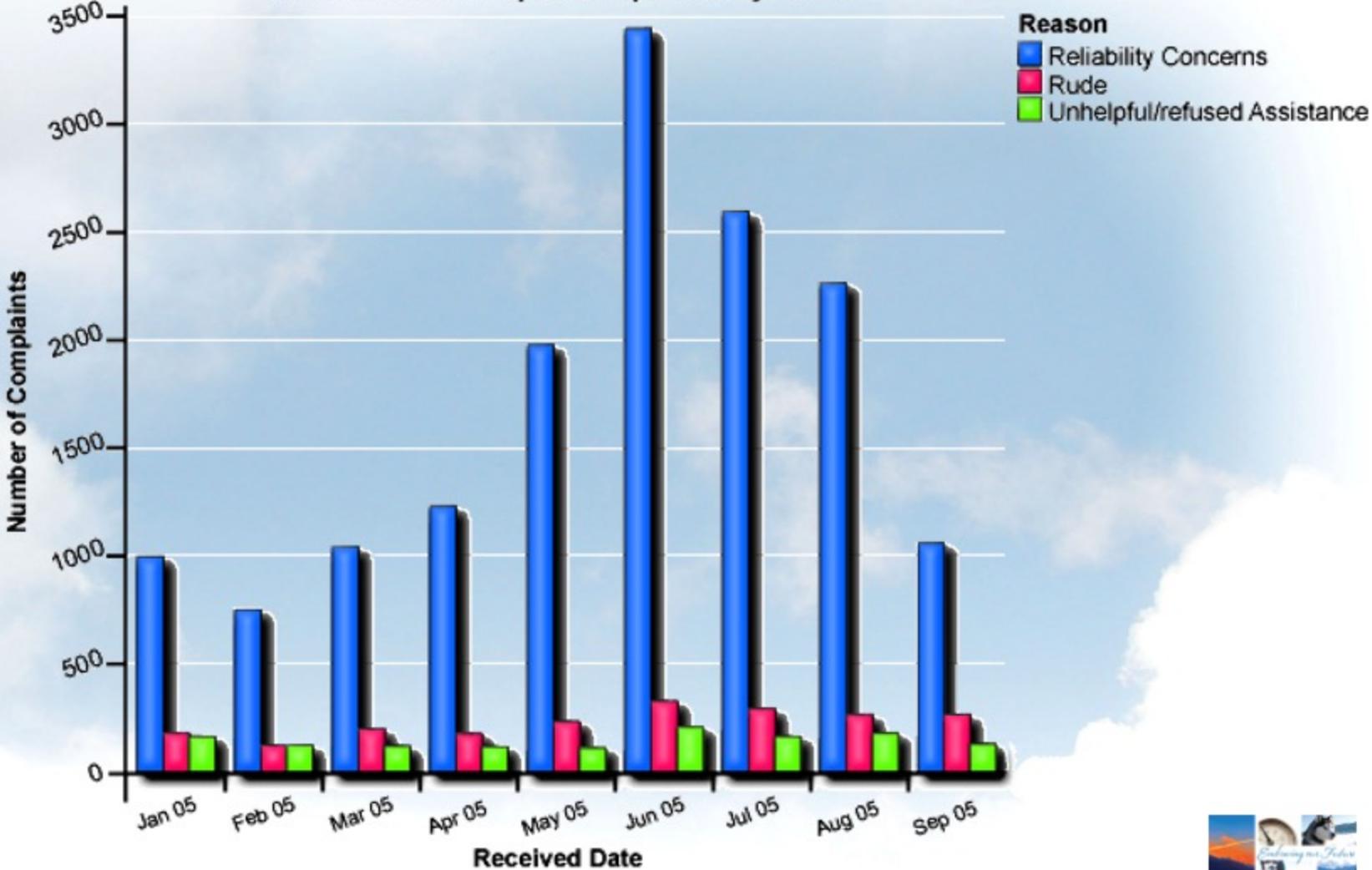


Embracing our Future | 30
More exciting opportunities exist



Embracing our Future
How do we know the needle is moving?

Alaska Airlines Top 3 Complaints by Month



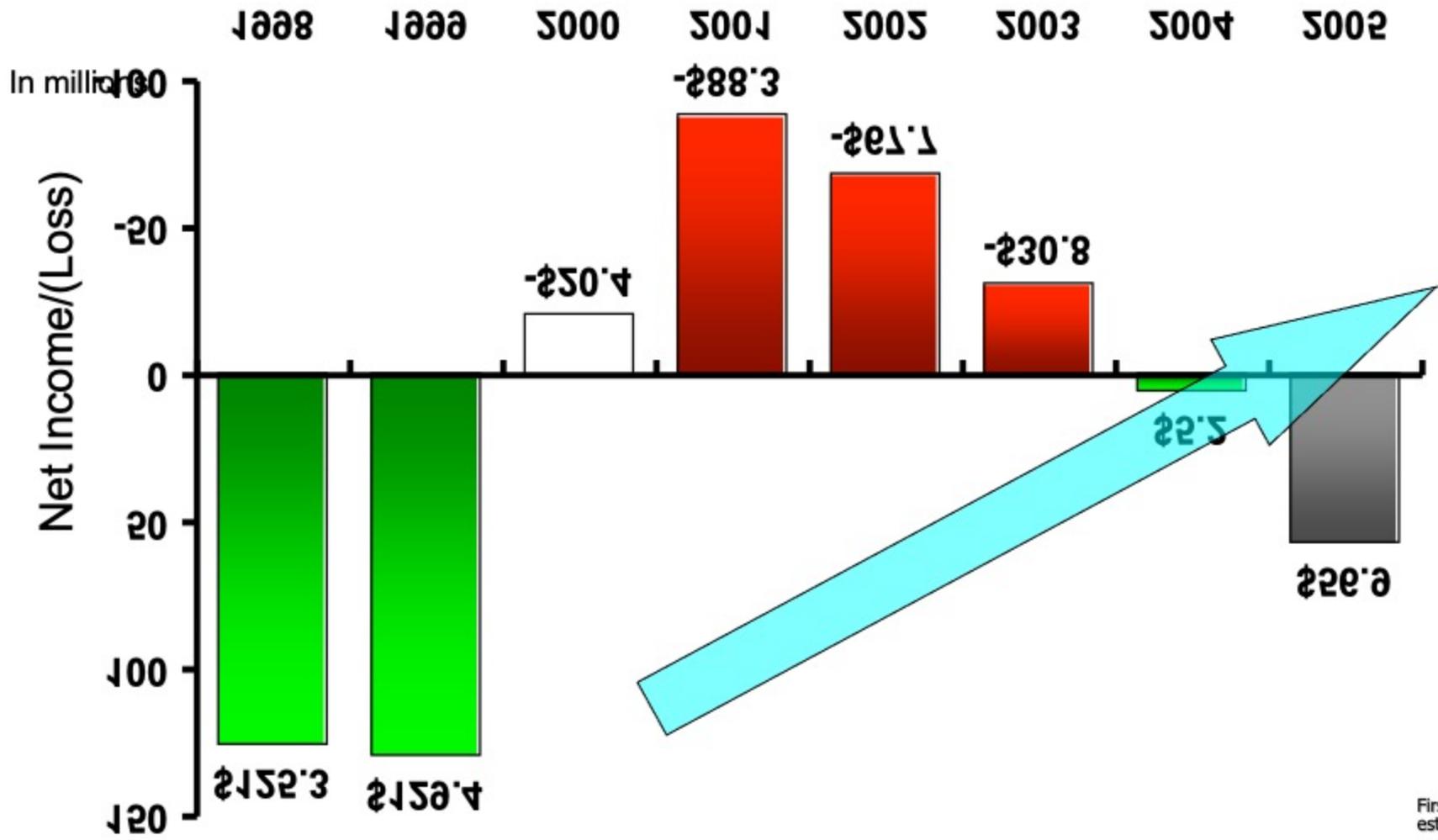
50% of Industry is in Bankruptcy or at Risk of Bankruptcy

		<u>S&P Rating</u>	<u>Share of Industry Capacity</u>	<u>In Bankruptcy?</u>
	Southwest Airlines	A	9%	No
	Alaska Airlines	BB-	3%	No
	JetBlue Airways Corp.	BB-	2%	No
	Continental Airlines	B	10%	No
	AirTran Holdings Inc.	B-	2%	No
	America West Holding Corp.	B-	3%	Near-miss
	AMR Corp.	B-	20%	Near-miss
	Northwest Airlines Corp.	CCC-	11%	Yes
	Delta Air Lines Inc.	CC	15%	Yes
	US Airways Group Inc.	D	6%	Recent
	UAL Corp.	D	16%	Yes
	ATA Holdings Corp.	N/A	2%	Yes
	Frontier Airlines Inc.	N/A	1%	No

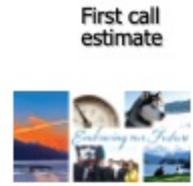
S&P rating is the Corporate credit rating as of June 30, 2005; Capacity based on Q2 '05



Alaska's Improving Profit Trend

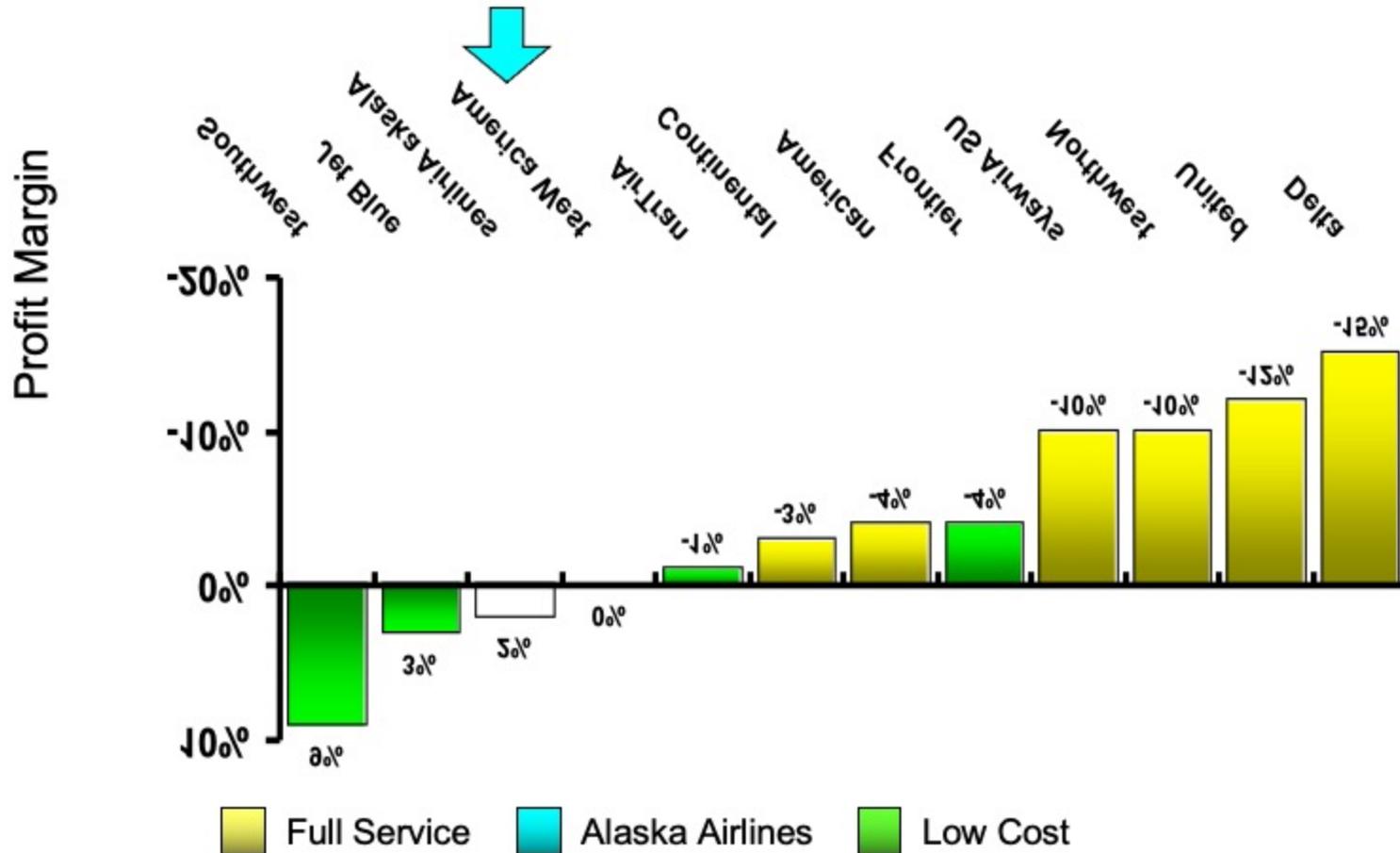


2000-2004 amounts exclude special charges, cumulative effect of accounting changes and government compensation.



Alaska is Outperforming the Industry

Pre-tax Margin - 12 months ending June 30, 2005

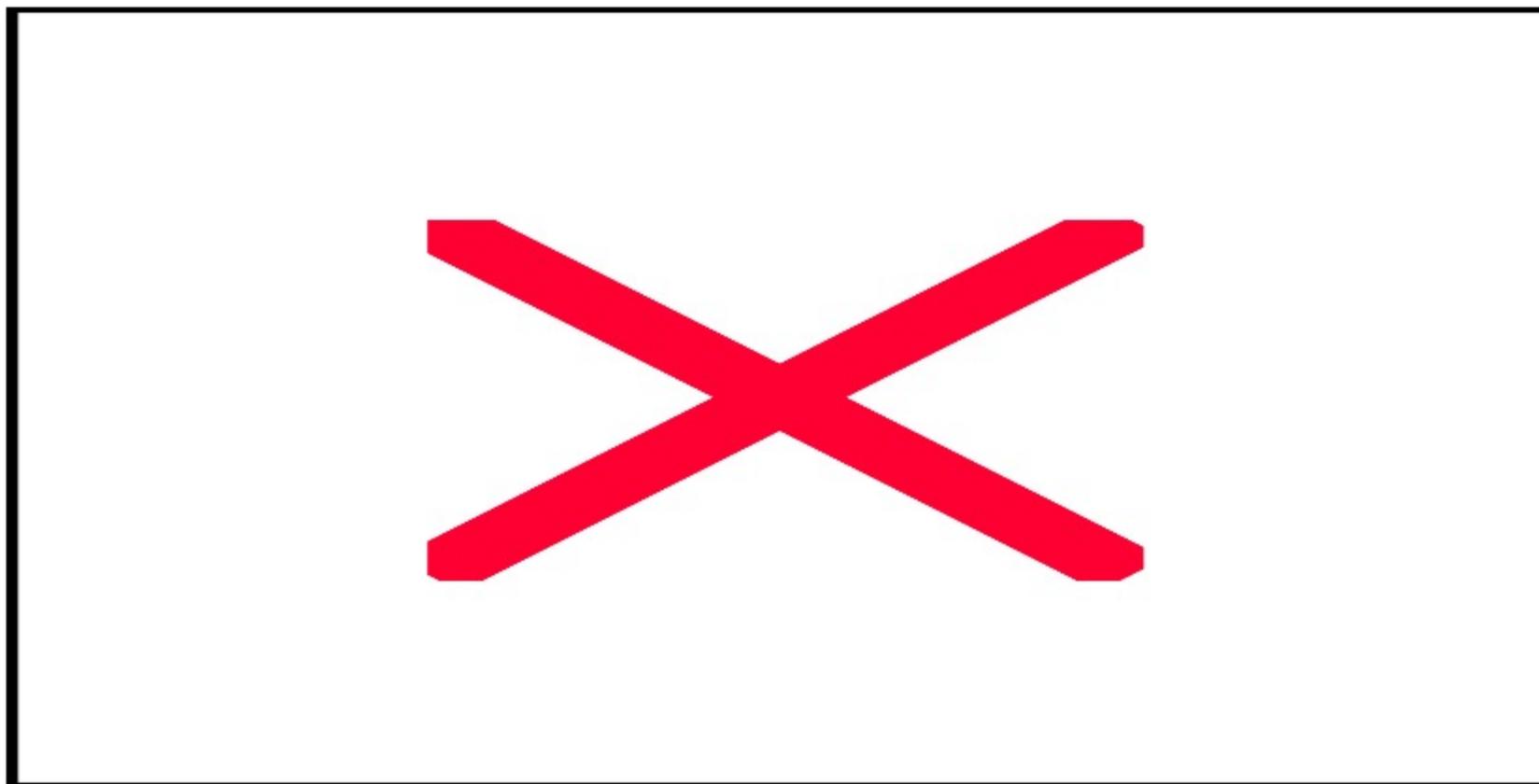


Source: Company earnings releases.
 Amounts exclude special charges and cumulative effect of accounting changes and government compensation.



Stock Market Investors Have High Regard for AAG

12 Month Change as of August 2005



Legacy



Alaska Airlines

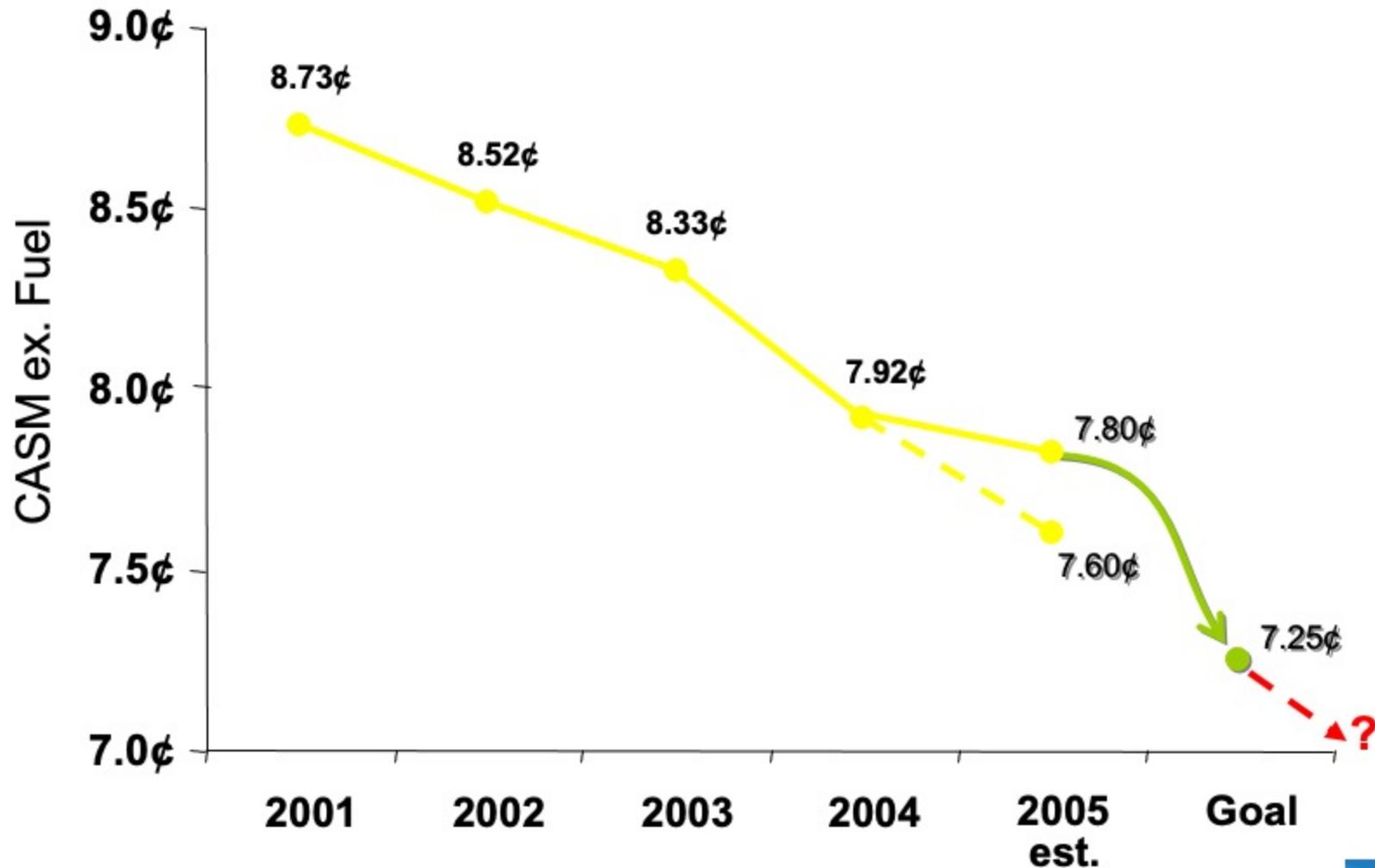


Low Cost

Source: September 2, 2005 Aviation Daily



Alaska is Driving Down Costs to Improve Competitiveness

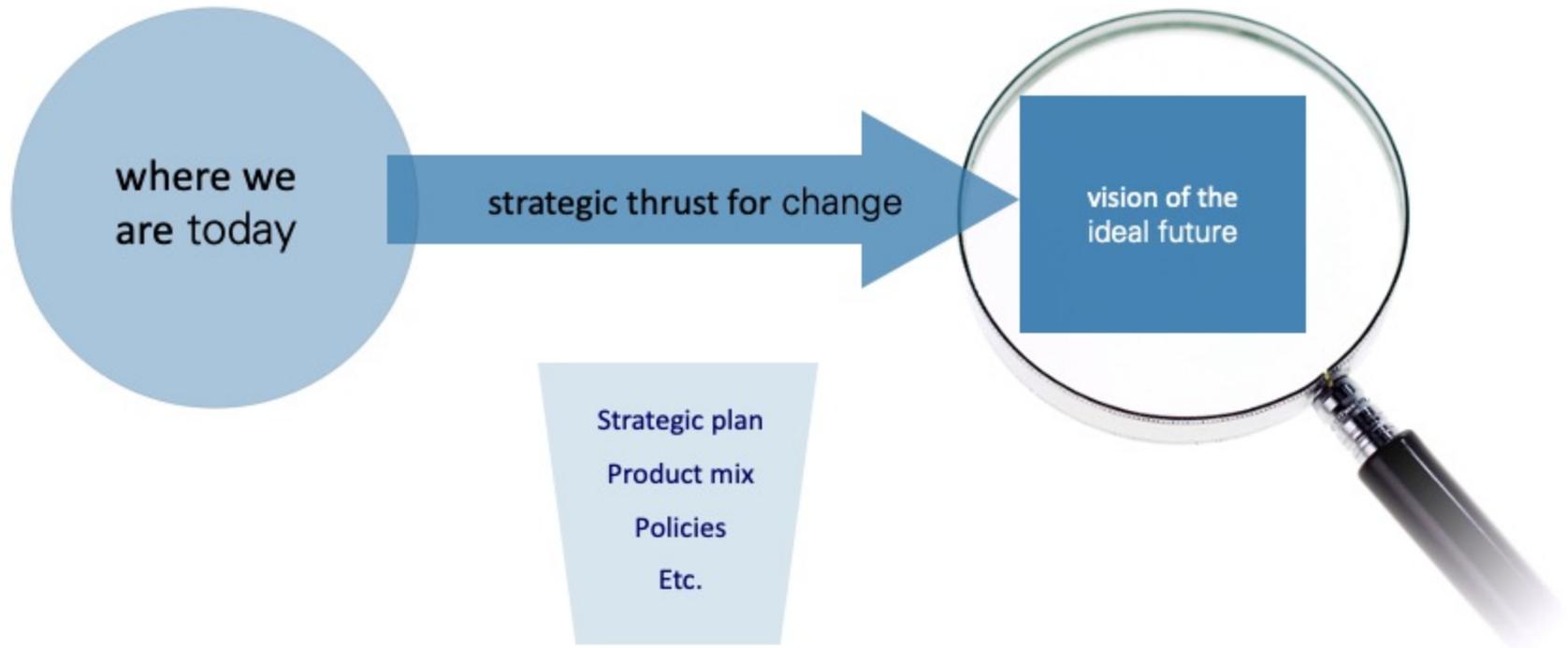


Amounts based on expected 2005 capacity of 22.7 billion ASMs



'Vision of the ideal future'

More than a Motorcycle, Teerlink and Ozley



Lower Costs Create More Opportunities

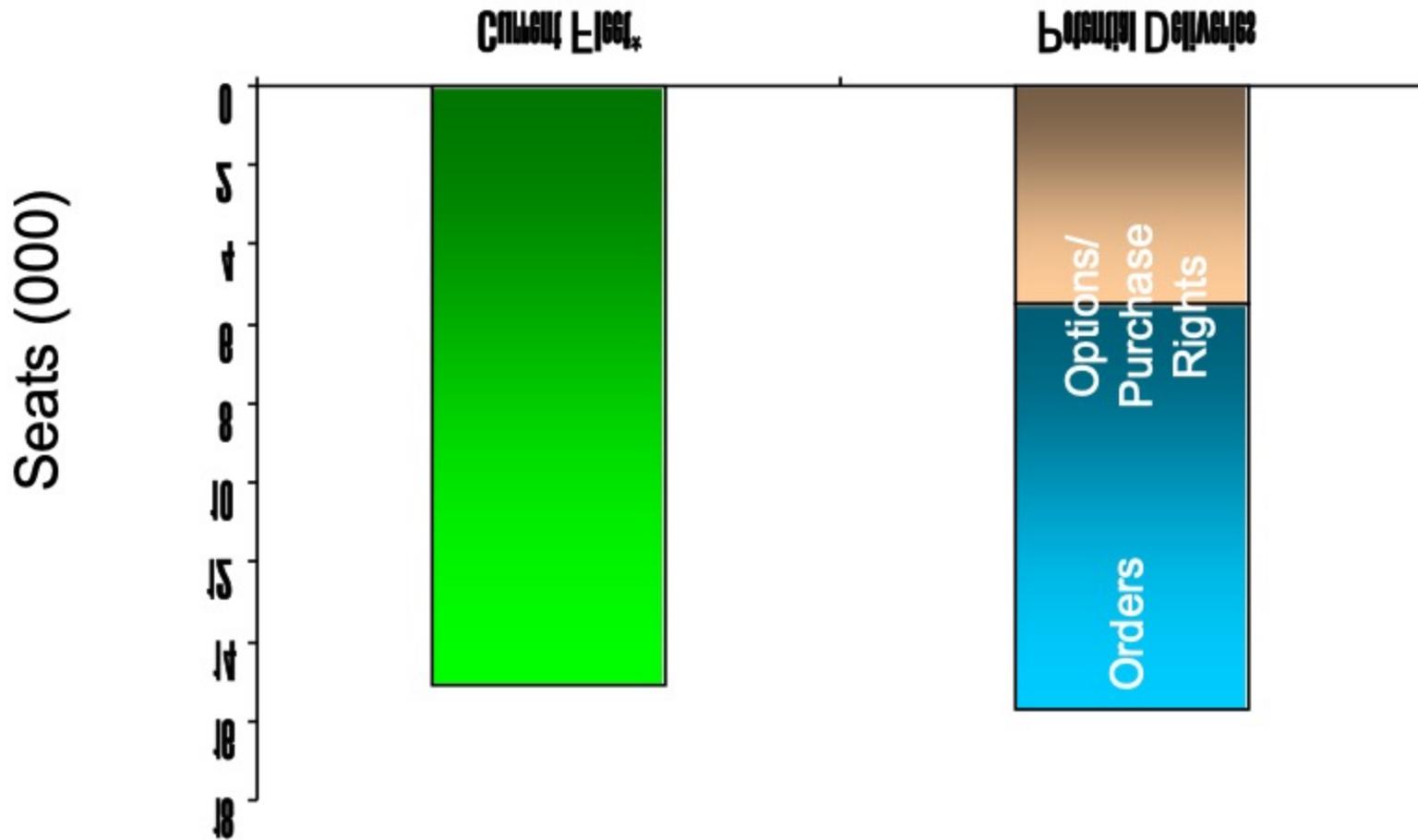


Alaska Air Group, Inc.



Alaska Airlines is Poised for Rapid Growth

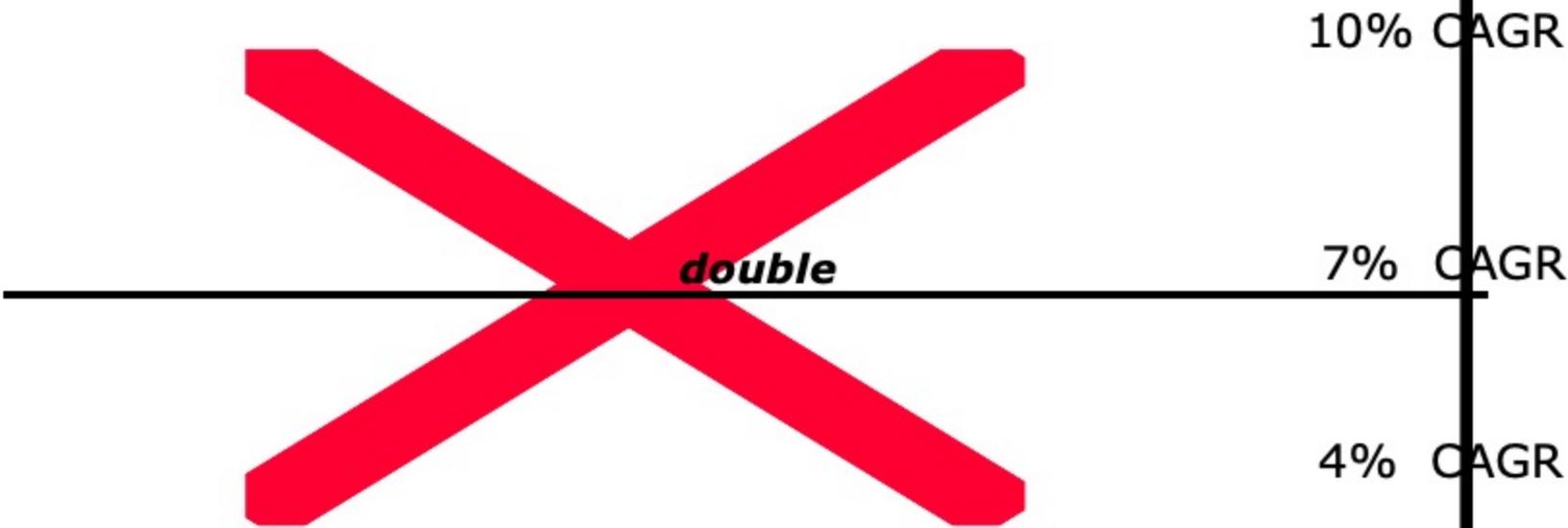
Seats in Fleet



* Combi a/c configured using 3 pallets/56 seats for current fleet.

Within 7-10 Years. Alaska Can be Twice As Large

A fleet of nearly all
21st Century aircraft
is imaginable



Excellent job and retirement security

One of the best places to work in America

Known as airline with the best value

One of the most respected brands in the USA

“Weatherproofed” to economic downturns

A profit margin of 10%

Annual growth of 8 to 10%



'The Best Companies to Work For' are Highly Profitable



56 publicly-held companies listed on the Top 100 Best Places to Work
Source: www.greatplacetowork.com

Ultimately → Happy Stakeholders

Precursors → Growing & Sustainable

- profits
- engaged employee base
- fleet/network
- cost efficiency
- operational excellence
- customer preference
- revenue efficiency
- stock price & enterprise value

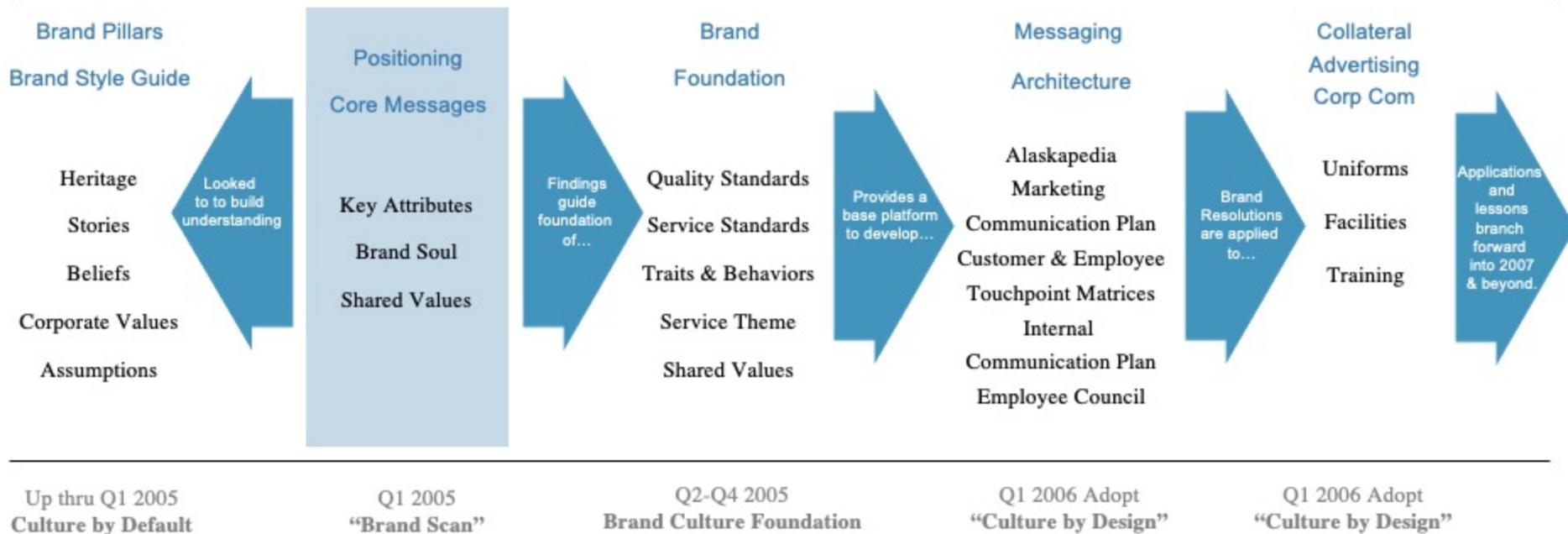


Achieving the Vision

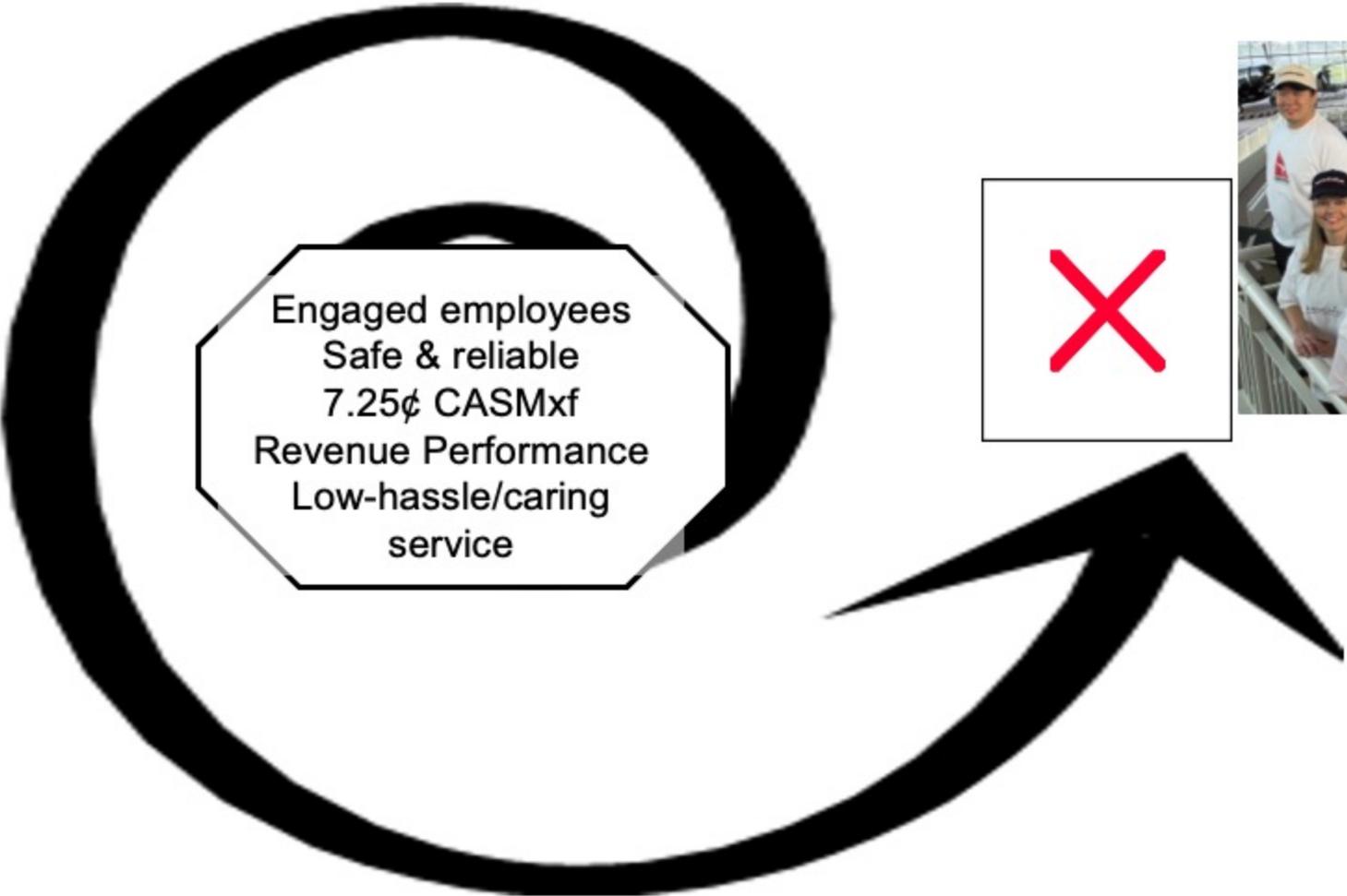
Strategic Plan to create the Vision

Finance	Operations	Marketing
2010	Reliability	Product
Fleet Plan	Stress-free	Network/Schedule

process of checks & balances
(council to be created makes recommendations & monitors)



Our Future is Within Reach



Engaged employees
Safe & reliable
7.25¢ CASMxf
Revenue Performance
Low-hassle/caring
service







A close-up photograph of a person's hand placing a white puzzle piece into a larger assembly. The puzzle piece is uniquely shaped and features the word "YOU!" printed in a blue, serif font. The background consists of other white puzzle pieces, some of which are slightly out of focus, creating a sense of depth. The lighting is bright and even, highlighting the texture of the puzzle pieces and the skin of the hand.

YOU!

